

The Real Cost of Arizona’s Universal ESA Voucher Program: FY2025

Summary of Findings

- In 2022 Arizona became the first state to pass Universal Educational Scholarship Account (ESA) Vouchers which allow parents to receive payments to use for their child’s education at their discretion, including private schools and homeschooling.
- The vouchers are set at 90% of what the state allocates for charter schools students. The Grand Canyon Institute (GCI) estimates that three-quarters of students never attended or would have attended district or charter schools, so the program primarily ends up funding students who would not otherwise receive general fund support.
- While the total cost of the overall ESA program in FY2025 was \$872 million¹, the net cost of the universal program after adjusting for where universal students would have otherwise attended is \$360 million for those in the universal ESA voucher program. This represents a slight increase from the \$332 million estimated by GCI in FY2024. The net cost of universal ESA’s will likely approach \$400 million in FY2026.

Analysis

The Grand Canyon Institute (GCI) estimates a \$360 million net cost to the state’s General Fund in FY2025 (July 2024-June 2025) for the universal component of Arizona’s Empowerment Scholarship Account (ESA) voucher program based on a student’s school of origin. This represents a slight increase over the estimated FY2024 cost of \$332 million. The estimate assumes basic student funding weights.

The Arizona Department of Education (ADE) placed the cost of the entire ESA program to be \$872 million in FY2025, which includes the original targeted program and the universal component.² Because student-level data on the universal program is not separated out by ADE, GCI must estimate the origin of universal program enrollees. GCI’s estimate reflects the net cost the state would have incurred if the universal ESA voucher program did not exist. Almost every single child in the original targeted program had to attend a district or charter school for at least 45 days before enrolling in the program. GCI uses historical data on where the targeted

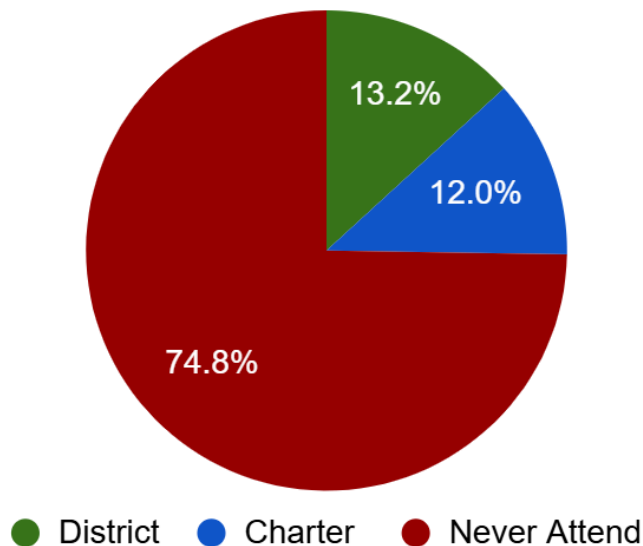
¹ Tanzer, Shira (2025), “Chunk of Arizona school funding delayed for June due to \$200M state budget shortfall,” KTAR, June 10, [Budget shortfall delays 60% of June Arizona school funding](#).

² Tanzer, Shira (2025), “Chunk of Arizona school funding delayed for June due to \$200M state budget shortfall,” KTAR, June 10, [Budget shortfall delays 60% of June Arizona school funding](#).

students had come from previously, dating back to FY2017, along with current data on where all ESA students have left district or charter schools to estimate the distribution of students across district and charter schools for the original targeted program and the remainder are allocated to the universal program.³

Prior School Attendance of Universal ESA Voucher Students

includes estimate of students who enrolled in Kindergarten



GCI focuses on second quarter enrollment in its estimates for FY2025 as that represents the half way point in the school year. Year to year, the net growth in the universal ESA vouchers was 7,660 of the total enrollment of 61,688. GCI estimates that 75% of ESA universal voucher recipients never attended a district or charter school, slightly lower than the rate of 80% estimated by GCI for FY2024.⁴ This includes estimates for kindergarten students using ESA universal vouchers.

The primary driver of the change in FY2025 was a significant increase in the portion of net new enrollees from district and charter schools. GCI examined the marginal changes since last year and estimates that just over one-third of the net gain in universal participants of 7,660 from FY2024Q2 to FY2025Q2 came via Kindergarten. Analyzing changes in the portion of students previously attending a district or charter school, GCI estimates that 37% never attended (or would have never attended for Kindergarten) district or charter schools while 35% came from

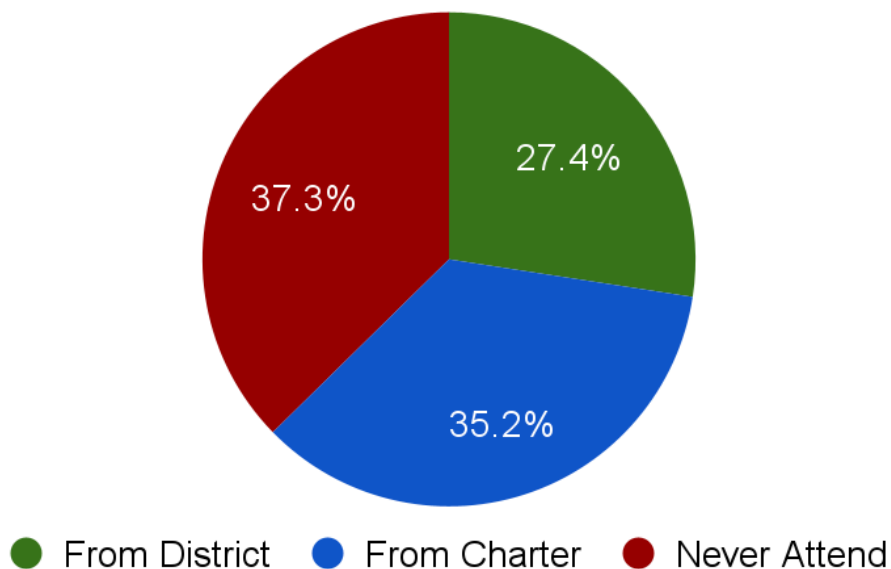
³ In FY2024 GCI excluded the FY2017 universal enrollment published by the [Arizona Republic in March 2017](#) from the published data from which district or charter schools students enrolled in previously since the ESA Exec. and Leg. Reports indicate they do not have data prior to 2017 in this area due to software limitations. For FY2025, GCI deducted two-thirds of these students. It's likely that less than two-thirds are still in ESAs, so to the degree it's less than two-thirds, the portion of universal ESA students that never attended would rise somewhat.

⁴ Wells, Dave (2024), "[Cost of the Universal ESA Vouchers](#)," Grand Canyon Institute, June 6.

charter schools and just over one-fourth came from districts. This change helped lessen the growth of the net cost of the program. GCI presumes that Kindergarten students do not have a record of prior attendance but would mirror the same distribution. Given that charter school enrollment is about one-fourth of district enrollment, charter schools have been significantly disproportionately adversely impacted by the Universal ESA program.

Incoming Universal ESA Voucher Students FY2025

Incoming Kindergarten assumed to have same breakdown



ADE indicates that prior to FY2017 they cannot track the district or charter school of origin due to software limitations. In FY2024, GCI assumed all the 2,388 targeted ESA students reported by school district or charter of origin in FY2017 by the Arizona Republic were excluded from the ADE district/charter origin reports. For FY2025 GCI assumed two-thirds were. That may be an underestimate, in which case the portion that never attended in FY2025 would be slightly higher for the universal program.⁵

Despite the change in FY2025, that the majority of participants in the universal ESA program never attended a district or charter school should be self-evident. For FY2025, the Quarter 3 Executive and Legislative ESA report identifies that of the total 87,602 students enrolled in the ESA voucher program (targeted and universal), regardless of when they first enrolled, only 33,942 students moved from charter or district schools to an ESA. Virtually all targeted participants must first enroll in a district or charter school first. The universal program does not require prior attendance. The Appendix provides additional details on how FY 2025 Quarter 2 and Quarter 3 data were used to provide the estimate in this report as well as a discussion of Table 2 in the Executive and Legislative Quarterly Reports.

⁵ GCI's prior analysis before the universal program was instituted found that about $\frac{2}{3}$ of targeted ESA students come from district schools and $\frac{1}{3}$ from charter schools.

The state funding formula gives the following overall funding levels for students who do not have additional special education funding weights. GCI used a representative small school weight in its estimates.

Per Student Funding	Elementary	Elementary Small School	High School	High School Small School
Districts	\$6,613	\$7,685	\$7,305	\$8,513
Charters	\$7,895		\$8,792	
ESA voucher	\$7,106		\$7,913	

The net cost estimate of the ESA program to the state adjusts for the cost the state would have incurred in the absence of ESA vouchers. District costs were adjusted based on the equalization share that the state would have paid. The weighted average distributional share was 57% for universal ESA enrollees, so that figure is used below to give a comparison. However, in the actual estimates the specific state share for each district was used, which ranges considerably from, for instance, 0% in Scottsdale Unified District to 91% in Alhambra Elementary District.

	State Appropriation	ESA Universal Voucher	Difference
Charter Elementary	\$7,895	\$7,106	\$790
District Elementary	\$3,814	\$7,106	-\$3,292
Small District Elementary	\$4,432	\$7,106	-\$2,674
Charter High School	\$8,792	\$7,913	\$879
District High School	\$4,213	\$7,913	-\$3,700
Small District High School	\$4,909	\$7,913	-\$3,004

The state general fund has modest savings when students transfer from charter schools to ESA universal vouchers, because vouchers are statutorily set as 90% of a charter student cost. The state has a net cost when a student transfers from a district to an ESA universal voucher because the state funding is less than a voucher and that is further reduced by whatever the local share is based on the equalization formula (43% was the weighted average local share for ESA enrollees). When a student would not have attended either, then the entire voucher amount is a new net cost to the state.

The final estimate of a \$360 million net cost comes from pulling these various aspects together. Because the origin of Kindergarten students is not known, general elementary and high school district and charter state appropriations are used.

The cost would be slightly higher if the program’s administrative costs were properly funded. As Superintendent of Public Instruction Tom Horne has noted, “We are badly understaffed,” with 2 million ESA voucher expense requests for review per year.⁶ The failure to properly fund administrative expenses increases the likelihood that staff will not detect fraudulent expenses submitted by parents for reimbursement.

Category	# of Students	Estimated Amount
From Districts Cost	6,370	\$21,187,870
From Charters Savings	5,650	-\$4,582,308
Never Attended District/Charter Cost	46,035	\$336,037,285
2025 Kindergarten from District Cost	741	\$1,228,246
2025 Kindergarten from Charter Savings	952	-\$375,785
2025 Kindergarten Never Attend Cost	1,009	\$3,335,667
ESA since Kindergarten District Cost	517	\$1,713,391
ESA since Kindergarten Charter Savings	414	-\$326,860
Total Net Universal Voucher Cost	61,688	\$358,217,505
Administrative		\$3,231,115
With Administrative Share		\$361,448,620

About

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⁶ Harris, Craig (2025), “\$16,170 cello until state Schools Chief Tom Horne’s office stopped it,” Channel 12 News I-Team, May 27, [Questionable ESA purchases under scrutiny with Superintendent Tom Horne | 12news.com](https://www.12news.com).

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Appendix

The Grand Canyon Institute normally relies on the quarter 2 (end of December) ESA reports for annual cost estimates since the ESA program has been growing and mid-year represents a good overall estimate of the average attendance for the year. However, the quarter 3 ESA report (enrollment as of the end of March) released on May 30, 2025 showed a significant increase in the number of students who had previously attended a district or charter school compared to quarter 2. In fact, the growth of 4,859 students from district or charter schools exceeded the growth in the program of 3,783 students. This occurred because of churn in the ESA program as many students leave the program as well as students entering. This data suggested a greater movement toward students who were coming from district or charter schools than previously.

GCI consequently, while using overall enrollment data for quarter 2, the averaged quarter 2 and quarter 3 numbers for students who had attended a district or charter school immediately prior to enrolling in an ESA in its estimate to compensate for the shift seen in the quarter 3 data.

GCI also makes assumptions about the portion of students in the universal program in Kindergarten. Under the targeted program Pre-K disability students might be expected to continue to Kindergarten. From FY2021Q4 to FY2022Q1, the year before universal vouchers, the number of Kindergarten enrollees was approximately 2.5 times the prior quarter pre-K enrollees. This was used to estimate the number of targeted ESA Kindergarten students with the remainder assumed to be enrolled in the universal program.

While GCI estimates that 75% of universal voucher participants have or would have never attended a district or charter school. Table 2 in the ADE ESA quarter 3 report suggests far more students come from district or charter schools. However, given the other public reporting, the data in Table 2 should be reconcilable—and it is not. ADE has never responded to past GCI requests for clarification on how Table 2 is calculated.

Table 2: Number and percent of universal-eligibility students who attended a public school immediately prior to enrolling in ESA program¹

Fiscal Years 2023 through 2025

ESA program enrollment year	Number of universal-eligibility students attending public school immediately before ESA enrollment	Total number of universal-eligibility students enrolling in ESA program	Percent of universal-eligibility students attending public school immediately before ESA enrollment
FY 2023	6,157	29,176	21%
FY 2024	9,250	19,442	47.6%
FY 2025 ²	7,275	12,727	57.2%

¹ Pursuant to A.R.S. §15-2406, Table 2 only includes students who were eligible to enroll in the ESA program pursuant to A.R.S. §15-2401.01. As a result, this table only includes students in grades 1 through 12 who qualified to participate under universal eligibility.

² July 1, 2024 through March 31, 2025.

Because all students are now universal-eligible, the question of what is referred to is unclear, but assume it only refers to students enrolling in the universal ESA program. At the end of FY2023 45,157 students had enrolled in the universal voucher program. Yet Table 2 indicates only 29,176 enrolled. 16,000 students are missing. It does exclude students in Kindergarten—but there were not 16,000 students in Kindergarten from the universal ESA program.

FY2024 saw about 10,000 net growth in the universal voucher program, yet Table 2 says almost twice that number enrolled, even though Table 2 excludes Kindergarten. It's possible that many did enroll, but they chose to ignore those who disenrolled.

FY2025Q3 saw the program grow by a bit less than 9,000 students yet nearly 13,000 are reported in Table 2. Likewise if one takes the reported number in the entire ESA program that came from a district or charter school at the end of FY2024 and compared it to the end of FY2025Q3, the amount has increased by 9,500 students. While it's plausible initially that 7,275 of them might be in the universal program, one first needs to check by how much the targeted program grew—as except for the military and prior-ESA categories, all of these students had to previously attend a district or charter school. However, excluding those two categories, the number of students in the targeted pre-universal ESA program grew by 4,479 students from the end of FY2024. Adding 7,275 to 4,479 is much larger than the reported 9,500 increase in students who previously attended a district or charter school in the FY2025Q3 report. Consequently, while Table 2 purports to measure something, what exactly it is measuring remains a mystery—and until that mystery is solved GCI recommends ignoring it. However, like the GCI estimates it does show a trend toward more charter and district students switching to ESA compared to those who never enrolled.