



Arizona Empowerment Scholarship Accounts:

How they work and the cost to the
state general fund

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ESAS DON'T SAVE THE STATE MONEY.

THEY ACTUALLY COST THE STATE MORE.



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Since the program was introduced in 2011, Arizona has spent \$99.7 million funding ESAs. Funding a massive expansion would require raising taxes *or* dramatic cuts to K-12 public schools and other parts of the state's budget!

Below are resources to help better understand the impact of ESA expansion and visual graphics to share on your social media platforms.

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Academic Accountability: How do Arizona's ESAs measure up?

- Who's keeping track of how well students with ESAs are doing?
- The differences between district and ESA academic accountability requirements
- While ALEC's draft "The Educational Savings Account Act" included numerous academic accountability standards, the legislation introduced and passed in

What'll you'll find:

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- Infographics
- In the Media

Today We'll Cover

- What are Empowerment Scholarship Accounts?
 - Background, participation and current costs
- What are the current proposals for ESA expansion?
 - SB1431/HB2394
 - SB1281/HB2465
- What is the impact on the state general fund?
 - How are ESA amounts calculated?
 - How does this compare to the district funding formula?
 - Why this matters to school districts?
- Q & A

What are Empowerment Scholarship Accounts?



ESAs provide taxpayer money from the state's general fund to parents who opt to take their child out of a public school and send them to a private school or use other education services. In 2011, the Arizona Legislature created ESAs for students with special needs. It was the first such program in the nation.

Why are ESAs allowed?

- Arizona's Constitution contains a clause known as "the Blaine Amendment" (Article IX, §10) that states:
 - "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."
- ASBA and other organizations filed a lawsuit (*Niehaus v. Huppenthal*) after ESAs were enacted, challenging them on the basis of this and other legal grounds.
- The Arizona Supreme Court ruled that since the funding was awarded to the parent to spend on a variety of educational options, ESAs are not an "appropriation of public money in aid" of private or religious schools.

Why are ESAs allowed?

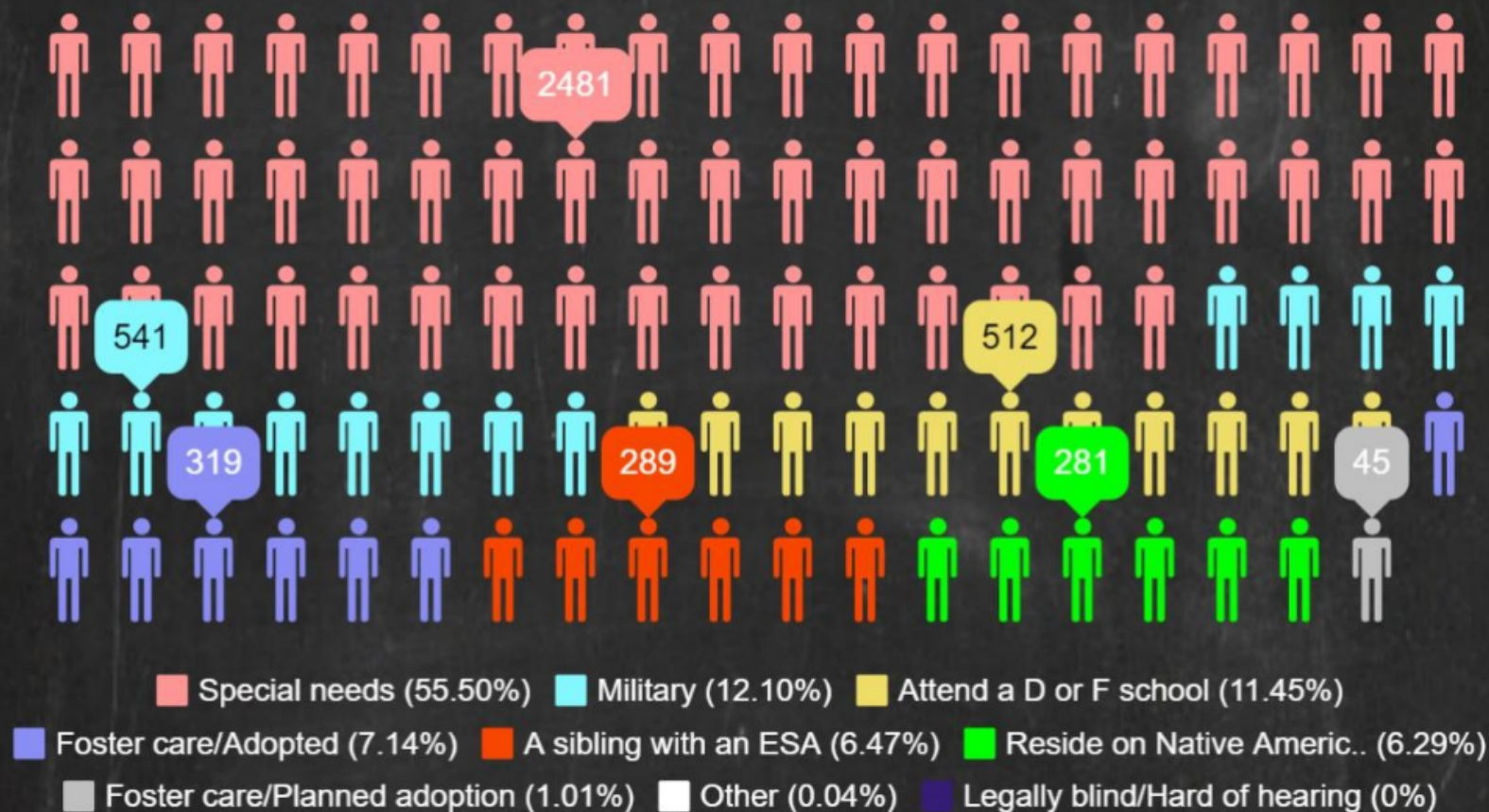
- Because the Arizona Supreme Court has ruled on the issue and deemed them Constitutional, ASBA no longer argues they are unconstitutional and/or illegal. This is a matter of settled law in Arizona.
- Instead, we argue it is not appropriate to further divert needed public funds from district schools to fund an expansion in light of our current budget situation.
- In addition, as we will see, ESAs are not, as their proponents claim, more cost effective or “efficient” than public schools.



Who uses ESAs?



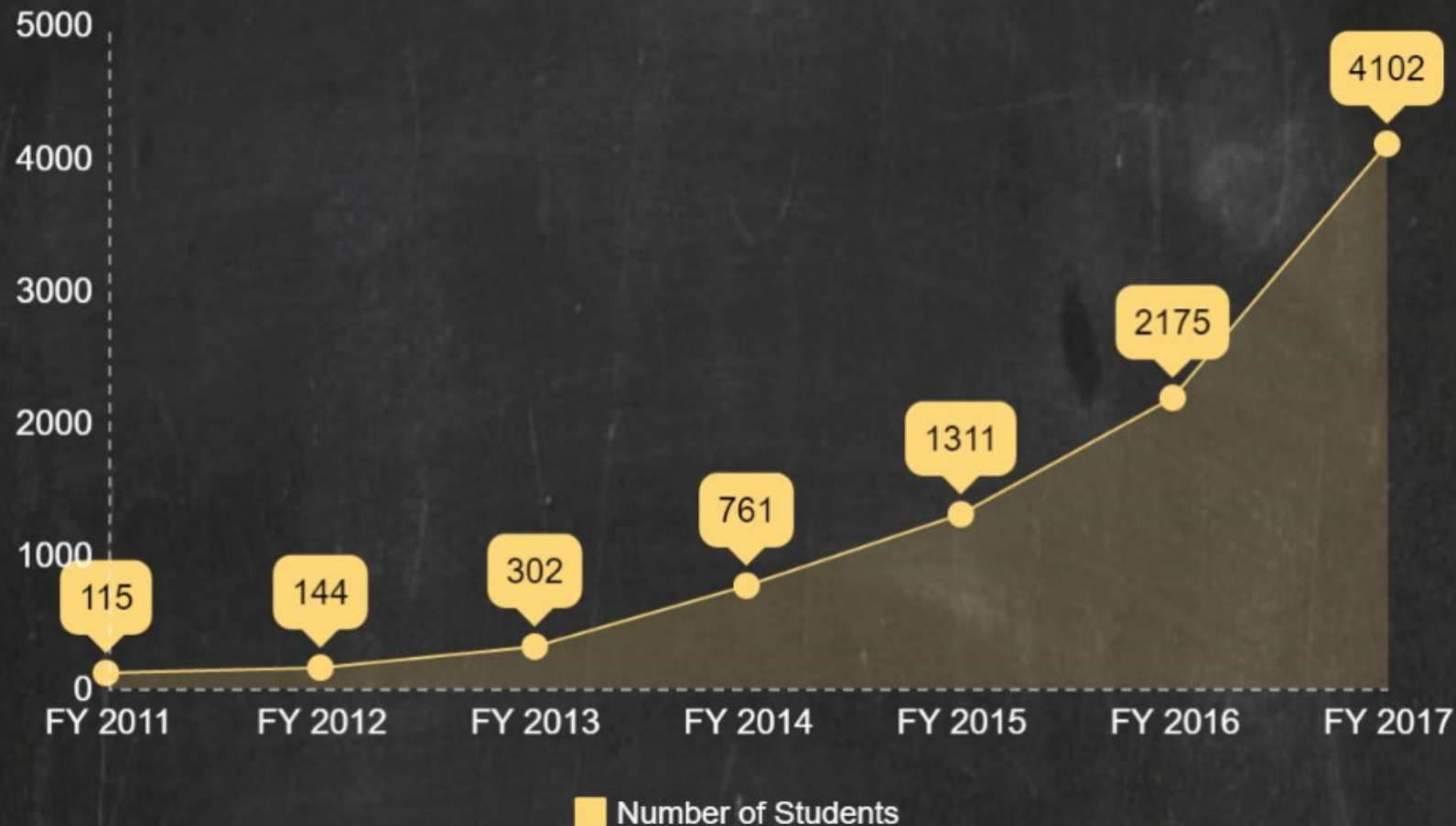
This year, 4,102 students in nine eligibility categories use ESAs.



Source: Arizona Department of Education for 2016-17 school year

How have ESAs grown?

Legislators expanded eligibility from 115,000 students in 2011 to more than 250,000 in 2015. Students using ESAs have nearly doubled each year since 2012.



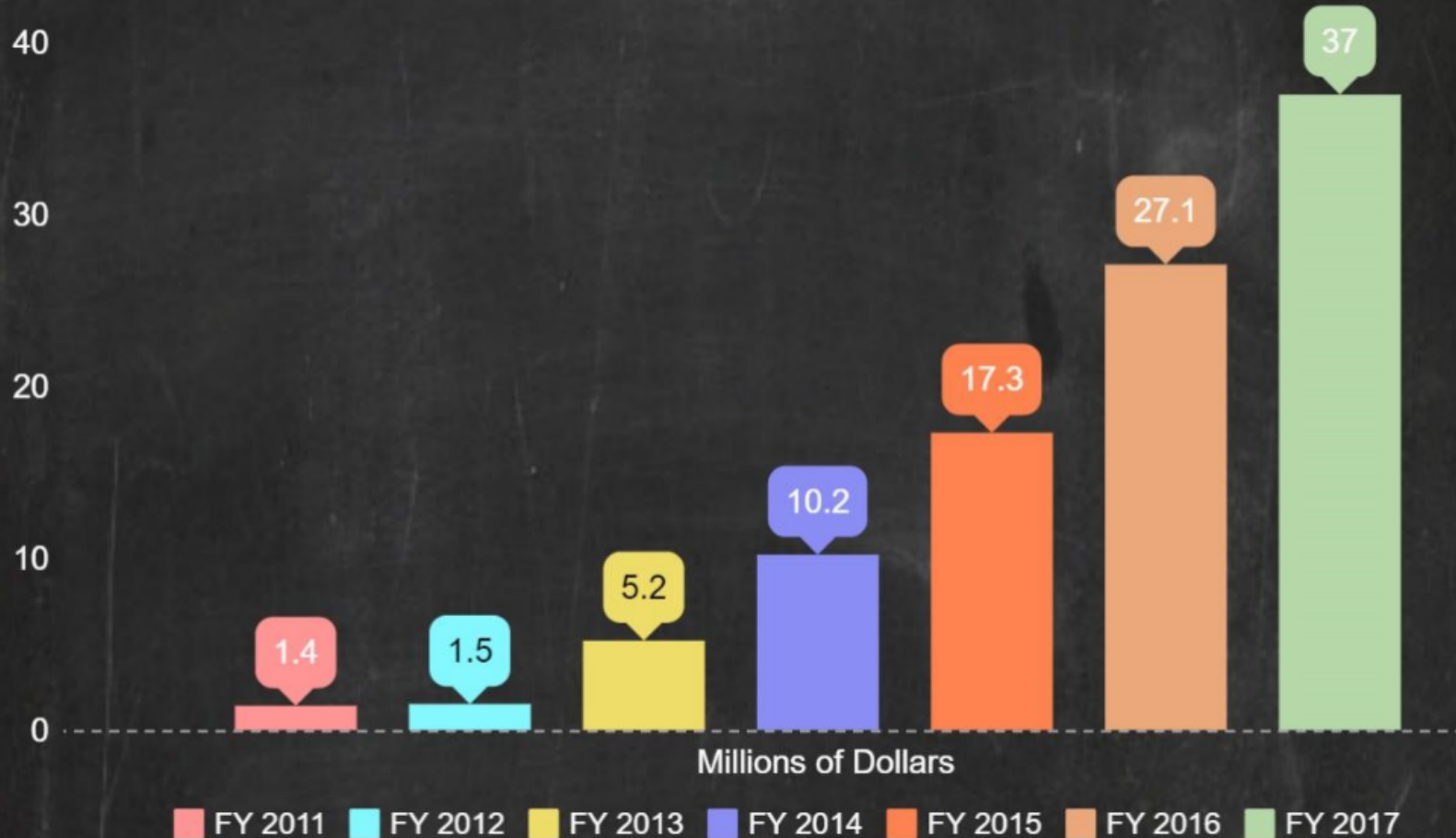
Source: Arizona Department of Education

Fiscal Year	Enrollment
FY 2018 Est. Cap	4102 + 5500 (9,602)
FY 2019 Est. Cap	9602 + 5500 (15,102)
FY 2020 Est. Cap	No Cap



How much have ESAs cost?

Since their inception, ESAs impact on the state budget has been \$99.7 million in funds drawn from the state general fund and provided to parents of students with ESAs.

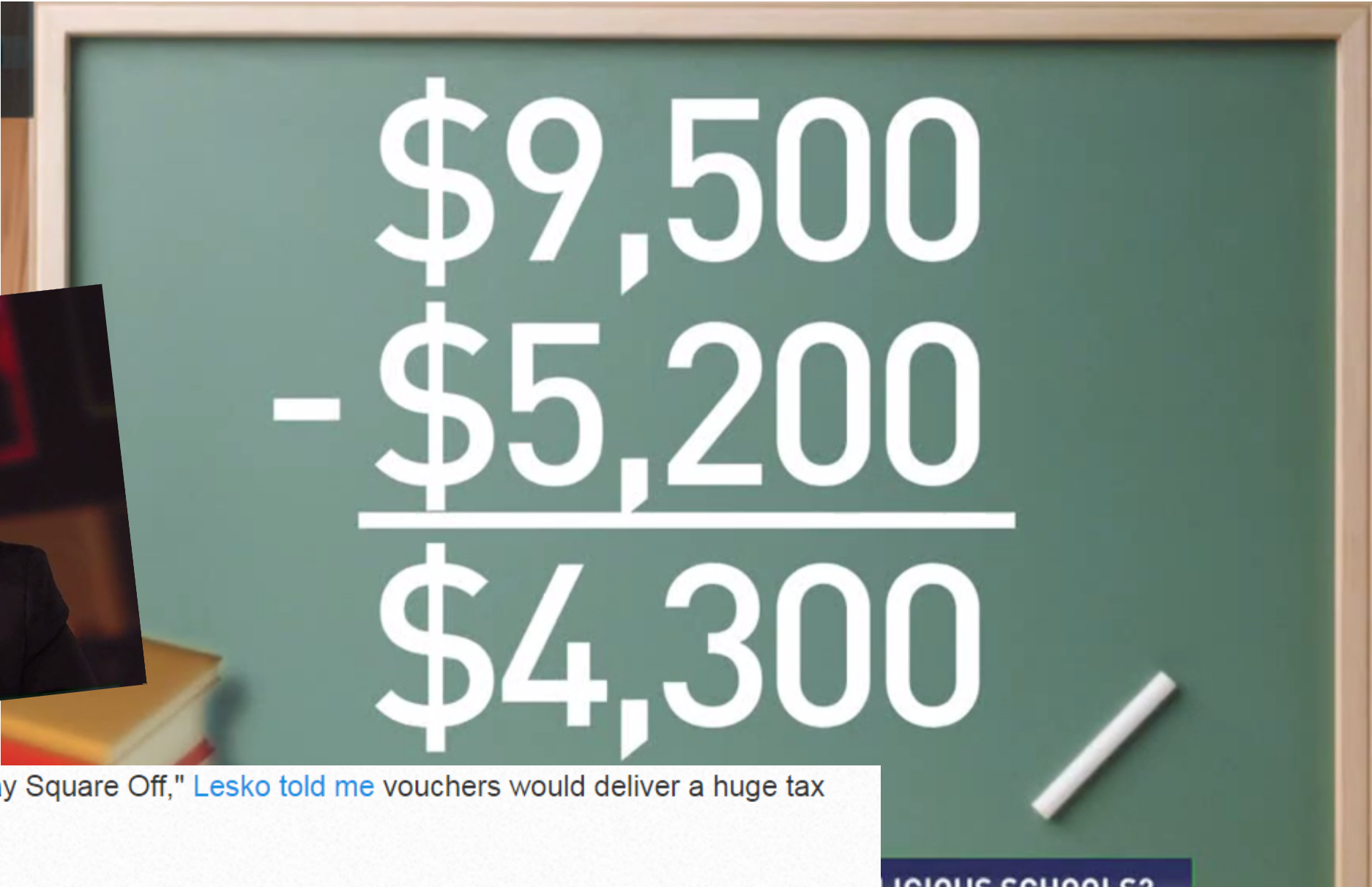


Source: AZ Department of Education & AZ Senate Research Staff

Current Proposals for ESA Expansion

- SB1431/HB2394 empowerment scholarships; expansion; phase-in
 - Full expansion to universal eligibility over 4 years
 - 2017-2018: K, 1st, 6th, 9th grades
 - 2018-2019: add 2nd, 7th, 10th grades
 - 2019-2020: add 3rd, 8th, 11th grades
 - 2020-2021: K-12th grades
- SB1281/HB2465 empowerment scholarship accounts; revisions
 - Expansion to D-rated school districts
 - Privatize ESA administration at department of education
 - Allow up to \$2,000 per year to be deposited in a 529 college savings plan.

What is the impact on the State
General Fund?

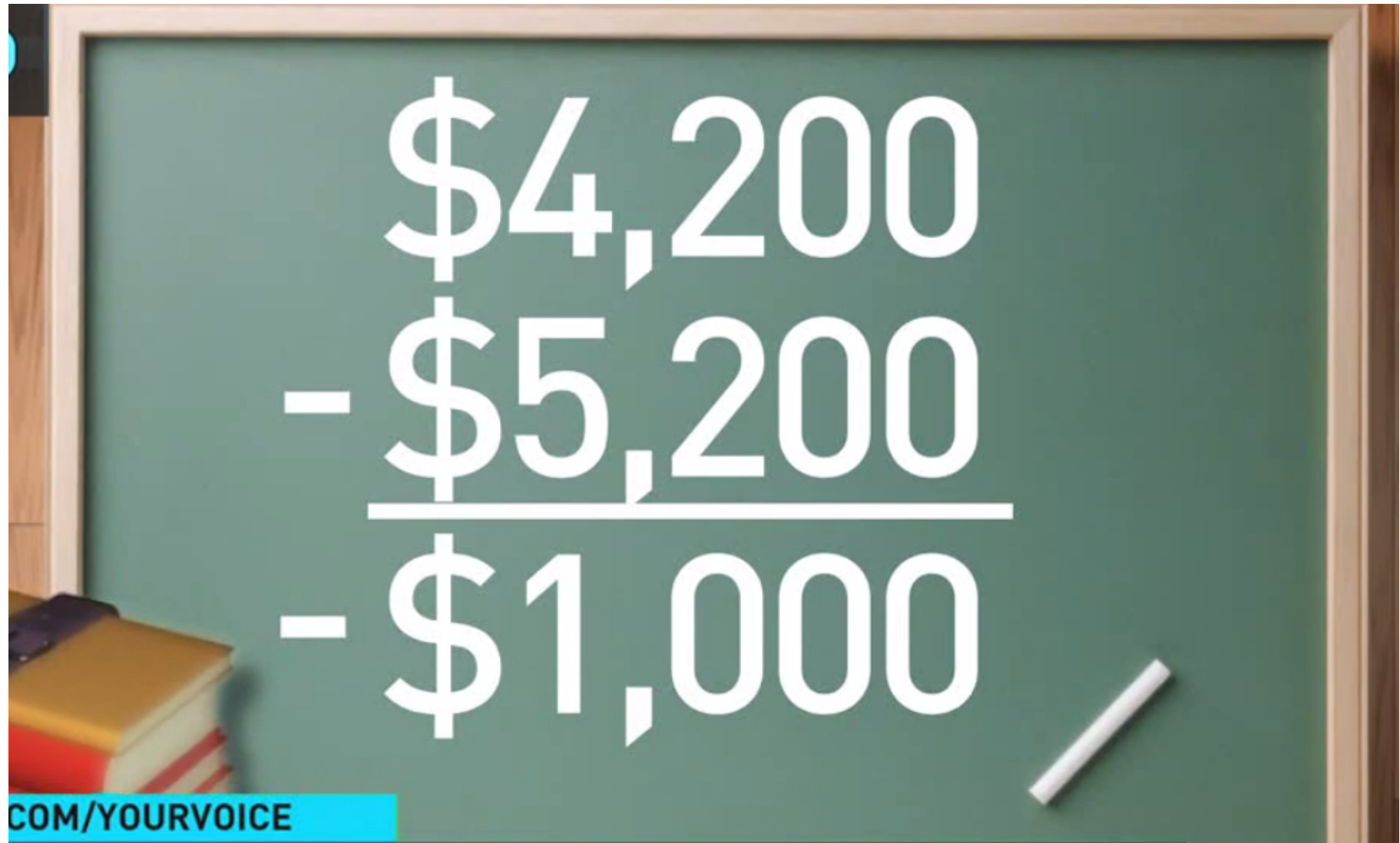

$$\begin{array}{r} \$9,500 \\ - \$5,200 \\ \hline \$4,300 \end{array}$$



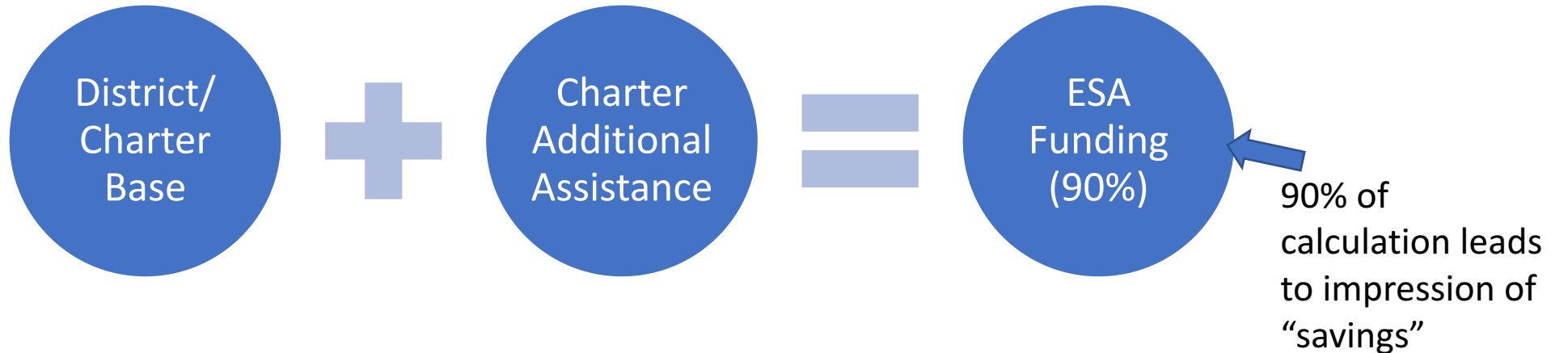
In a recent interview on "Sunday Square Off," [Lesko told me](#) vouchers would deliver a huge tax saving to Arizonans.

"They give parents another option to get the best educational choice for their child and they also save taxpayer money -- about 4,300 per year per student," she said.

The math is problematic because ESAs affect only State Funding, NOT Federal or Local district funding.



How are
ESA
amounts
calculated?



Base Formula: Typical District vs. ESA

	District Funding	ESA Funding at 90%	Savings to General Fund
Elementary	\$4,262.70	$\$4,262.70 \times .9 = \$3,836.43$	\$426.27
High School	\$4,667.62	$\$4,609.99 \times .9 = \$4,200.85$	\$466.76

Additional Assistance Formula: Typical District vs. ESA

	District Funding*	ESA Funding at 90%	Savings to General Fund
Elementary	\$67.61	$\$1,752.10 \times .9 = \$1,576.89$	-\$1,509.28
High School	\$84.39	$\$2,041.04 \times .9 = \$1,836.94$	-\$1,752.54

*Reflects ongoing 85% reduction to District Additional Assistance funding.

Additional Cost to the General Fund

	Base Difference	Addt'l Assist. Difference	Total "Savings" to the General Fund
Elementary	\$426.27	-\$1,509.28	-\$1,083.01
High School	\$466.76	-\$1,752.54	-\$1,285.76

What is not a “typical” district?

Additional Cost to the State will be less:

- Small districts with 600 or fewer students in K-8 and/or 9-12
- Districts with above average Teacher Experience Index

Additional Cost to the State will be more:

- Districts that receive no state funding for basic formula

There is no instance in which an ESA will cost less or “save” the state money.

District by District Analysis

District	County	State Aid District	K-8 District Formula Funding	K-8 ESA Funding	K-8 Cost to State (ESA minus district funding)	HS District Formula Funding	HS ESA Funding	HS Cost to State (ESA minus district funding)	K-8 Students	HS Students
Gila Bend Unified District	Maricopa	No	5,287	6,023	6,023	6,540	7,333	7,333	286	118
Sentinel Elementary District	Maricopa	Yes	5,497	6,212	715	0	0	0	37	0
Mobile Elementary District	Maricopa	No	5,497	6,212	6,212	0	0	0	24	0
Paloma School District	Maricopa	No	5,497	6,212	6,212	0	0	0	97	0
Liberty Elementary District	Maricopa	Yes	4,330	5,413	1,083	0	0	0	3,233	0
Buckeye Elementary District	Maricopa	Yes	4,330	5,413	1,083	0	0	0	4,735	0
Avondale Elementary District	Maricopa	Yes	4,330	5,413	1,083	0	0	0	5,360	0
Arlington Elementary District	Maricopa	No	5,339	6,069	6,069	0	0	0	239	0
Palo Verde Elementary District	Maricopa	Yes	5,114	5,867	753	0	0	0	444	0
Littleton Elementary District	Maricopa	Yes	4,330	5,413	1,083	0	0	0	5,176	0
Buckeye Union High School District	Maricopa	Yes	0	0	0	4,752	6,038	1,286	0	3,979
Sunnyside Unified District	Pima	Yes	4,330	5,413	1,083	4,752	6,038	1,286	11,956	4,633

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