Arizona Empowerment Scholarship Accounts:

How they work and the cost to the state general fund
Get resources and information on ASBA’s website: www.azsba.org/esa-voucher

What’ll you’ll find:
• Get the Facts
• 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.

- Special needs (55.50%)
- Military (12.10%)
- Attend a D or F school (11.45%)
- Foster care/Adopted (7.14%)
- A sibling with an ESA (6.47%)
- Reside on Native Amer... (6.29%)
- Foster care/Planned adoption (1.01%)
- Other (0.04%)
- Legally blind/Hard of hearing (0%)

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.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018 Est. Cap</td>
<td>4102 + 5500 (9,602)</td>
</tr>
<tr>
<td>FY 2019 Est. Cap</td>
<td>9602 + 5500 (15,102)</td>
</tr>
<tr>
<td>FY 2020 Est. Cap</td>
<td>No Cap</td>
</tr>
</tbody>
</table>

Source: Arizona Department of Education
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?
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?

District Base + District Additional Assistance = District Funding

District/Charter Base + Charter Additional Assistance = ESA Funding (90%)

90% of calculation leads to impression of “savings”
## Base Formula: Typical District vs. ESA

<table>
<thead>
<tr>
<th></th>
<th>District Funding</th>
<th>ESA Funding at 90%</th>
<th>Savings to General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Elementary</strong></td>
<td>$4,262.70</td>
<td>$4,262.70 \times 0.9 = $3,836.43</td>
<td>$426.27</td>
</tr>
<tr>
<td><strong>High School</strong></td>
<td>$4,667.62</td>
<td>$4,609.99 \times 0.9 = $4,200.85</td>
<td>$466.76</td>
</tr>
</tbody>
</table>
## Additional Assistance Formula: Typical District vs. ESA

<table>
<thead>
<tr>
<th></th>
<th>District Funding*</th>
<th>ESA Funding at 90%</th>
<th>Savings to General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
<td>$67.61</td>
<td>$1,752.10 x .9 = $1,576.89</td>
<td>-$1,509.28</td>
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<tr>
<td>High School</td>
<td>$84.39</td>
<td>$2,041.04 x .9 = $1,836.94</td>
<td>-$1,752.54</td>
</tr>
</tbody>
</table>

*Reflects ongoing 85% reduction to District Additional Assistance funding.
## Additional Cost to the General Fund

<table>
<thead>
<tr>
<th></th>
<th>Base Difference</th>
<th>Addt’l Assist. Difference</th>
<th>Total “Savings” to the General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
<td>$426.27</td>
<td>-$1,509.28</td>
<td>-$1,083.01</td>
</tr>
<tr>
<td>High School</td>
<td>$466.76</td>
<td>-$1,752.54</td>
<td>-$1,285.76</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>District</th>
<th>County</th>
<th>State Aid District</th>
<th>K-8 District Formula Funding</th>
<th>K-8 ESA Funding</th>
<th>K-8 Cost to State (ESA minus district funding)</th>
<th>HS District Formula Funding</th>
<th>HS ESA Funding</th>
<th>HS Cost to State (ESA minus district funding)</th>
<th>K-8 Students</th>
<th>HS Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gila Bend Unified District</td>
<td>Maricopa</td>
<td>No</td>
<td>5,287</td>
<td>6,023</td>
<td>6,023</td>
<td>6,540</td>
<td>7,333</td>
<td>7,333</td>
<td>286</td>
<td>118</td>
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<tr>
<td>Sentinel Elementary District</td>
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<td>Yes</td>
<td>5,497</td>
<td>6,212</td>
<td>715</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>37</td>
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<td>Mobile Elementary District</td>
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<td>No</td>
<td>5,497</td>
<td>6,212</td>
<td>6,212</td>
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<td>Paloma School District</td>
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<td>5,497</td>
<td>6,212</td>
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<tr>
<td>Liberty Elementary District</td>
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<td>0</td>
<td>0</td>
<td>3,233</td>
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<td>Buckeye Elementary District</td>
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<td>Yes</td>
<td>4,330</td>
<td>5,413</td>
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<td>Palo Verde Elementary District</td>
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<td>5,114</td>
<td>5,967</td>
<td>753</td>
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<td>444</td>
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<tr>
<td>Littleton Elementary District</td>
<td>Maricopa</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>5,176</td>
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<tr>
<td>Buckeye Union High School District</td>
<td>Maricopa</td>
<td>Yes</td>
<td>0</td>
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<td>0</td>
<td>4,752</td>
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<td>3,979</td>
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<td>Sunnyside Unified District</td>
<td>Pima</td>
<td>Yes</td>
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<td>4,752</td>
<td>6,038</td>
<td>1,286</td>
<td>11,956</td>
<td>4,633</td>
</tr>
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Questions?