



Understanding the Cost of Universal School Vouchers

An Analysis of Arizona's Empowerment Scholarship Account Program

Michael Griffith and Dion Burns

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Executive Summary

In the 2022–23 school year, Arizona began implementation of a “universal voucher” program through which all school-age students are eligible for a voucher, and families can use public funding to underwrite private or homeschool education for their children. Universal vouchers in Arizona are an expansion of the existing Empowerment Scholarship Account (ESA) program, which was targeted to students with special education needs or in specific circumstances (e.g., child of a military employee, living on a reservation, attending a low-rated school). Reported program costs of the expanded program have varied widely and often do not provide a clear explanation for the figures used.

To better understand this program’s impact on Arizona public schools, we undertook a financial review of the expanded Arizona ESA program using publicly available data from the state budget, which details total state expenditures and student enrollment; Arizona Department of Education (ADE) quarterly reports to the State Board of Education, which detail the number of ESA applications received, approved, and denied; and ADE enrollment figures.

We analyzed student enrollment in the program, the combined cost of the earlier enacted ESA program and the new universal voucher program, and their effects on education funding in the state. Because the costs of the new ESA program are paid for through the state’s Basic Student Aid formula, the increased costs for this program will compete with public school funding unless the legislature increases the funding level sufficiently to account for the cost of the new students being covered.

This report outlines the cost estimates and calculations in detail. Findings include the following:

- Students who accepted ESAs who were previously educated in private schools or homeschool environments added a new cost to the state. On average, students who were previously enrolled in district schools also generate a new, but smaller, cost to the state, while students previously enrolled in charter schools generate a small savings. We estimated costs for each. There may be some variability in these costs depending on students’ previous eligibility for supplementary funding (e.g., through household income or English learner status).
- Between the 2021–22 and 2022–23 school years, the ESA program expanded from 12,127 to 61,689 students, a growth of 409%. Nearly all (91%) of the program’s growth came from students enrolled in the new Universal ESA program. Of the students taking advantage of the new Universal ESA, the large majority (71.2%) did not previously attend a public school, thus adding new costs to the state education budget.
- While English learners represent 9.2% of public school students in the state, in 2022–23 only 188 enrolled in the ESA program (0.6%).
- About 2.4% of Arizona’s school-age children took advantage of the ESA program in 2022–23, at a total cost of \$587.5 million, which is a \$398.7 million (211%) increase over the cost of the more targeted voucher the previous year.
- The cost of the ESA program represents 8.8% of the \$6.7 billion total Basic Student Aid funding in 2022–23. Based on data posted on the Arizona Department of Education’s website, the number of students using the voucher increased by 10,739 students (17.4%) in the 2023–24 school year. The increased enrollment has resulted in a total cost of the ESA program of at least \$708.5 million.

Overview

Starting in the 2022–23 school year, Arizona expanded its Empowerment Scholarship Account (ESA)—previously available primarily for students with disabilities—to allow all families to spend public funding on private education for their children. Sometimes known as “voucher programs” or “universal school choice,” similar programs are being implemented or expanded in several states, including Florida, Idaho, and Indiana.¹ However, the cost of such policy choices can be difficult to establish. In this report, we conduct a cost analysis of Arizona’s ESA program based on publicly available data from the Arizona Department of Education (ADE) and the state legislature.

This report first gives an overview of the Arizona ESA program. It then provides an outline of steps for establishing the cost for the program. These steps proceed by calculating the per-student cost of a Universal ESA, then determining the number of students participating in the program and the type of previous school enrollment (which influences the per-student cost). Finally, we provide an estimate of the total program cost and the cost of the expansion. We conclude with a summary of findings and a discussion of data needs for future research.

Arizona’s ESA Program

In 2011, Arizona created the Empowerment Scholarship Account program to provide public funding to eligible families that they could spend on private education in lieu of their children attending a public school. Originally available only to public school students with disabilities or those meeting specific conditions (see “Targeted ESAs vs. Universal ESAs”), the ESA program expanded eligibility beginning in the 2022–23 school year.

Eligibility and Use

The ESA program allows parents to purchase educational services for their children outside of traditional public schools.² Parents may use the ESA at approved vendors or schools for purposes that include, but are not limited to, private school tuition, curricula, educational supplies, tutoring, and home education.³ To accept an ESA, parents must agree not to enroll their child in a public school district or charter school and must not simultaneously accept funding from the state’s school tuition tax credit program.⁴ The ESA is funded with tax dollars and administered by the Arizona Department of Education. The ESA program receives funding from the state’s general fund, which is overseen by ADE. In cases in which the ESA expenses surpass the allocated budget, ADE has the authority to seek additional funds from the legislature. At this point, it is not known whether the additional costs of the voucher will result in Arizona spending significantly more on education overall or the voucher costs will ultimately come at the expense of the budget for public education—or some combination of both.

Targeted ESAs vs. Universal ESAs

In this report, we differentiate between two categories of ESAs: Targeted ESAs, which refers to accounts established under the original criteria (see the following list) in the years preceding and following the expansion, and Universal ESAs, which are accessible to all students as of the 2022–23 academic year.

This distinction enables us to calculate the costs associated with the entire ESA program (both Targeted and Universal categories) and, through subtraction, ascertain the additional cost incurred by extending the ESA program to all students (Universal only).

Prior to the 2022–23 school year, public school students qualified for an ESA (i.e., Targeted ESA) only if they met at least one of the following conditions (Sec. 15-2401 of the law):⁵

- identified as having a disability;
- attending a school that was assigned a D or F grade;
- child of an active-duty member of the military;
- ward of a juvenile court, or adopted or in permanent guardianship;
- sibling of a current or previous ESA recipient;
- residing within the bounds of an Indian reservation in the state; or
- child of someone who is legally blind or deaf.

By the end of the 2021–22 school year, 12,127 students were enrolled in the ESA program, with 7,291 (60.1%) of these students having an identified disability. The amount of funding that families receive through the Targeted ESA depends on their student’s needs. During the 2021–22 school year, before Universal ESAs were introduced, the total spending on the ESA program was \$188.8 million, with the average expenditure per Targeted ESA being \$15,566. Universal ESAs are available to any family not enrolling their child in a school district or charter school, or accepting money from the state’s school tuition tax credit program. Universal ESAs are funded at 90% of the charter school student allocation.

Initial Cost Estimates

Publicly reported estimates of the cost of the expanded ESA program have varied dramatically. Early cost estimates for the expanded program were comparatively modest, although they showed anticipated increases and noted significant uncertainty. For example, in a 2022 fiscal note, the Arizona Joint Legislative Budget Committee estimated that the expansion’s added costs to the state general K–12 fund in fiscal year (FY) 2023 would be \$33 million, increasing to \$64.5 million in FY 2024, and further increasing to \$125.4 million in FY 2025. However, the memo also noted that “we consider these estimates to be highly speculative, as the participation rate among currently ineligible pupils is difficult to know in advance.”⁶ Specifically, it noted that estimates were subject to the uptake of ESAs by students currently in private schooling or homeschooling, with these portions estimated at \$34.8 million and \$24.4 million, respectively, for FY 2024—together accounting for around 92% of the anticipated additional cost.

Other reports have estimated program costs at considerably higher levels. A June 2023 *Arizona Mirror* article cited a figure of \$900 million;⁷ a July 2023 *Arizona Daily Star* article referenced a memo from the governor’s office that suggested over \$943 million.⁸ This variation in reporting may stem from uncertainty about the number of students receiving ESAs who were not previously enrolled in public education, the number of students changing schooling type (e.g., from public to private or vice versa), and the per-pupil cost of the ESA.

Calculating the Cost of the ESA Program

As described earlier, Targeted ESA allocations are based on student need.⁹ In contrast, the new legislation states that all students receiving an ESA (Universal ESA) are funded at a level representing 90% of the allocation for a charter school student, regardless of how they were previously educated (public school, private school, or homeschool).¹⁰ In Arizona, students in the public school system attend either a district school or a charter school, and the state funds these two different types of schools in two different ways. As we show in the section “Average Per-Student Cost of a Universal ESA,” because charter schools are funded at a higher rate by the state in the funding formula than district schools, each ESA awarded to a student who was previously enrolled in a district school could represent an added cost to the state. The extent to which an ESA differs from per-student public school funding can also be influenced by whether a student who accepts an ESA previously was given supplemental funding, such as for English language learning. However, we do not include supplemental funding in our calculations, as such detailed data have to date not been made publicly available.

To help estimate the financial impact of the ESA program, we relied on data from the Arizona Department of Education. Since January 2021, ADE has issued quarterly reports about the ESA program. These reports serve as the primary source of information for the program’s enrollment and expenses in this analysis. The quarterly reports include enrollment data, categorized into Universal and Targeted programs, and the average expenditure per ESA. Although the reports omit the program’s total cost, this figure is derived by multiplying total enrollment by average cost per pupil and including the total additional administrative costs for the program.

Up until the 3rd quarter of the 2022–23 school year, the quarterly reports included the number of students receiving an ESA who originated from public schools. Researchers could leverage this enrollment data to determine the number of students receiving an ESA not previously enrolled in public schools. (See the section “Students’ Previous Enrollment.”) However, in the 4th quarter of the 2022–23 school year, ADE altered its reporting approach. This change makes it difficult for users to distinguish between public and non-public school students within the program.

These reports have also lacked information on non-public school students in the ESA program, offering no insights into their prior educational backgrounds (such as homeschool or private school) or how they utilize their ESA funds.

Methods

The Learning Policy Institute conducted calculations for two cost metrics related to the ESA program. The first involves the overall cost of the ESA program, encompassing both Targeted and Universal components. The second metric is the state’s net cost of the expanded program. This figure represents the additional funding that the state had to allocate for educating students receiving an ESA, a sum not required in the preceding year. Enrollment figures and costs were determined by using the following set of publicly available data:

- state legislation, which provides parameters for program eligibility and funding;
- state budget data, which detail total state expenditures and student enrollment information;¹¹

- ADE quarterly reports to the State Board of Education from 2021 to 2023, which detail the number of ESA applications received, approved, and denied, as well as the district of residence or attendance of the student receiving the ESA, and common award amounts;¹² and
- enrollment figures from ADE.¹³

To understand the cost of the expansion of the ESA program to all students, we undertook the following steps:

1. **Calculate the per-student cost of a Universal ESA:** We follow the formula established in legislation and state budget data. This consists of a base amount, with additional fixed amounts for assistance with capital expenditures and transportation.
2. **Determine total student participation in the program:** We show how many students participated in the overall ESA program and the proportion of students participating in the Targeted and Universal programs, respectively.
3. **Determine students' previous enrollment status:** We subtract the number of students previously enrolled in public schools from the total program participation in the previous step to determine the number of participating students who were not previously enrolled in public education (private school students, homeschool students, and others).
4. **Estimate Universal ESA enrollment:** We use the information from steps 2 and 3 to estimate the number of students accepting a Universal ESA disaggregated by the previous enrollment status.
5. **Estimate the total cost of the program for 2023–24:** Using the 1st quarter report for the 2023–24 school year, we multiply the total program participation by the reported average cost.
6. **Estimate the net cost of program expansion:** We determine the amount of funding that the state would have expended on each student if they had not enrolled in the ESA program. We then subtract that amount from the cost of the ESA to determine the additional, or net, cost for each student.

The exact cost of the expanded program depends on the composition of students participating in the program, for two main reasons. First, elementary students and high school students produce different levels of Universal ESA cost. We thus used a weighted average of the calculated Universal ESA for these two student groups in 2023–24 based on enrollment figures for the previous year. Our analysis utilized the state's base funding amount. It is important to acknowledge that the actual net costs may vary based on the funding structure in the district where the student was previously enrolled. While the ESA's base funding amount encompasses additional allocations for grade levels, capital projects, and transportation (see Table 1), it does not account for extra state funding considerations related to students with disabilities, English learners, small district size, or the presence of more experienced teachers. Unfortunately, we could not factor in these additional adjustments due to a lack of available data. If we were able to incorporate these adjustments, it could result in a higher or lower net cost for the state.

Second, average payments under the Targeted ESA are larger than the Universal ESA payments because the former includes payments for students with significant special education needs. While the majority of ESA expansion is due to the implementation of the Universal ESA, there may also be additional growth in the Targeted ESA category. We exclude the Targeted ESA from our calculation of the total cost of the expansion. This provides us with a more conservative estimate of the net cost.

Average Per-Student Cost of a Universal ESA

We first calculate the average per-student cost of a Universal ESA, following the formula established in legislation and confirmed with state budget data. Next, we describe the average per-student cost at a district school and at a charter school for an elementary student in 2022–23. This is shown together with the equivalent amounts for high school students and estimates for the 2023–24 school year in Table 1.

Per-student funding for charter schools is calculated by adding two figures: a base student amount and an additional assistance amount for charter schools for capital costs.¹⁴ For elementary students in 2022–23, these were \$5,530 and \$1,986, respectively, for a total of \$7,515. By comparison, the average per-student funding for public district schools is calculated by adding three figures: the same base student amount, a district additional assistance amount for capital costs, and a district transportation cost (\$5,530, \$502, and \$307, respectively), for a total of \$6,339 for an elementary student in 2022–23.¹⁵ (See Table 1.)

The value of the Universal ESA is then calculated at 90% of the per-student funding for a charter school student.¹⁶ In 2022–23, this amount was \$6,764 for an elementary school student (that is, 90% of \$7,515) and \$7,532 for a high school student (90% of \$8,369, the calculated per-student charter funding for high school).¹⁷

As shown in Table 1, the Universal ESA amount is greater than the equivalent per-student amount for students attending public district schools (\$6,764 and \$6,339, respectively, for elementary students). This means that, in general, elementary students currently attending a public district school who leave that school to accept a Universal ESA (at a private school or homeschool) represent an additional cost to the state of \$425 each. By contrast, if an elementary student leaves a charter school to accept a Universal ESA (at a private school or homeschool), it will yield a savings to the state of \$752 per student. Of course, an elementary student not previously enrolled in either a public district or charter school who accepts a Universal ESA will represent a new cost to the state of the full amount (\$6,764).

Thus, the composition of the student body accepting a Universal ESA is necessary to calculate the cost of the Universal ESA program, and this is shown in the following sections.

Table 1. Per-Pupil State Education Funding for Universal ESA Vouchers

Funding	2022–23		2023–24 (est.)	
	Elementary	High school	Elementary	High school
Public district				
Base amount	\$5,530	\$6,055	\$5,691	\$6,232
District additional assistance (capital)	\$502	\$627	\$549	\$686
District transportation (average)	\$307	\$307	\$307	\$307
Total per-pupil district funding	\$6,339	\$6,989	\$6,548	\$7,225
Charter				
Base amount	\$5,530	\$6,055	\$5,691	\$6,232
Charter additional assistance (capital)	\$1,986	\$2,314	\$2,049	\$2,388
Total per-pupil charter funding	\$7,515	\$8,369	\$7,740	\$8,620
ESA				
ESA funding (90% of charter total)	\$6,764	\$7,532	\$6,966	\$7,758
Comparison				
Difference in average ESA and district funding per pupil	\$425	\$543	\$419	\$533
Difference in average ESA and charter funding per pupil	-\$752	-\$837	-\$774	-\$862

Note: Figures rounded to the nearest dollar. Columns may not add to total due to rounding.

Sources: ESA funding numbers are calculated by Learning Policy Institute based on available state budget and legislative information: base funding (Arizona Revised Statute 15-901[B][2][A]), grade weights (ARS 15-943[2][a]), additional charter assistance (ARS 15-185[B][4]), transportation funding (ARS 15-945), and fiscal year 2023–24 budget information (Arizona Department of Education: <https://www.azed.gov/finance/fy2024-school-finance-fiscal-operations-updates>).

ESA Participation

One of the reasons earlier cost estimates of enacting Universal ESAs varied is due to uncertainty regarding the number of students who would participate and where they previously had been educated. For our cost analysis, we wanted to determine the number of students enrolled in the Universal ESA program compared to the Targeted ESA program.

The Arizona Department of Education reports total numbers of students participating in the ESA in its quarterly reports. According to these data, there were a total of 66,457 students enrolled in the ESA program (both Targeted and Universal) to the end of the 1st quarter of the 2023–24 school year. Of these, 50,317 (75.7%) made use of the Universal ESA, while 16,140 (24.3%) received a Targeted ESA, based on ADE’s 1st quarter 2024 report—the most recent available. ADE also reports current ESA enrollment on its website, with 72,428 students participating in 2023–24 as of December 26, 2023.¹⁸ If we assume the same distribution between Targeted and Universal ESA recipients as in the most recent quarterly report, this would equate to 54,838 students with Universal ESAs. (See Table 2.) We note that this is likely an underestimate, as the number of program participants is likely to increase over the course of the school year. For instance, in 2022–23, 13,044 ESA applications were approved in the 4th quarter of the school year (April–June). Moreover, because it is a new program, uptake of the Universal ESA is anticipated to be more rapid than that of Targeted ESAs. Because parents can enroll their children in an ESA anytime during the school year, we expect that an increasing number of families will take advantage of this program.

Table 2. ESA Enrollment

Type	2020–21	2021–22	2022–23	2023–24 (est.)
Targeted ESA	9,643	12,127	16,532	17,590
Universal ESA	0	0	45,157	54,838
Total ESA enrollment	9,643	12,127	61,689	72,428

Note: The 2023–24 numbers are estimates based on the 2024 1st quarter report given the state-reported total ESA enrollment as of December 26, 2023.

Source: Arizona Department of Education. *ESA Quarterly Reports*. <https://www.azed.gov/esa/esa-quarterly-reports>

Students’ Previous Enrollment

An important factor in the cost of the ESA program is the number of participating students not previously enrolled in public education, as this represents a new cost to the state budget. ADE reported the school district or charter that students receiving an ESA previously attended in its 3rd quarter report, the most recent quarter this statistic was available.¹⁹ Using that information, we were able to determine that by the end of the 2022–23 school year, of the total 61,689 students in the ESA program (both Targeted and Universal), 29,516 students (48%) were previously enrolled in public education (district and charter), and 32,173 students (52%) were not previously enrolled in Arizona public schools.²⁰ (See Table 3.) Students who were not previously enrolled could include students who were privately educated, homeschooled, or

new to education (e.g., kindergartners), or who recently moved to Arizona. Assuming these proportions continue in the 2023–24 school year, this would mean that 34,654 public school students and 37,774 non-public school students would be enrolled in the ESA program in that year. Of course, the Universal ESA share of the total may increase even more rapidly, as there is no barrier to any private school or homeschooled student applying for the voucher.

Table 3. Where Students Receiving an ESA Were Previously Enrolled

Previous enrollment	2022–23	2023–24 (est.)
Public school	29,516	34,654
Not in public school	32,173	37,774
Total	61,689	72,428

Note: The 2023–24 numbers are estimates based on the 2024 1st quarter report given the state-reported total ESA enrollment as of December 26, 2023.

Source: Arizona Department of Education. *ESA Quarterly Reports*. <https://www.azed.gov/esa/esa-quarterly-reports>

Universal ESA Enrollment

As noted earlier, the composition of students receiving the Universal ESA, in terms of previous school enrollment and grade level, is important for establishing the cost of the program’s expansion. As we have noted, in the 2022–23 school year, 32,173 of the Universal ESA users were not previously enrolled in public education.²¹ Using the information from the previous two sections, we can further break down estimates of Universal ESA participants previously enrolled in public education into public district or charter school attendees.

Table 3 shows that 29,516 public school students were enrolled in the ESA program (Targeted and Universal) in 2022–23, and Table 2 shows that in the 2022–23 school year, 16,532 students were enrolled in the Targeted ESA program. Thus, the remaining 12,984 public school students were enrolled in the Universal ESA program in 2022–23. An analysis of data on school district of previous attendance from ADE’s 3rd quarter report indicates that of these 12,984 students, just 358 students were previously enrolled in charter schools, while 12,626 students were previously enrolled in district schools. These data and equivalent estimates for 2023–24 are shown in Table 4.

While we don’t know much about the background of students enrolled in the ESA program, a recent state report provided some insight. The revised 1st quarter 2024 ADE report showed that among students enrolled in ESA programs who were previously enrolled in public school, there were 188 English learners (or around 0.6%). To put this in context, English learners represent around 9.2% of all students enrolled in public school in the state.²²

Table 4. Where Students Receiving a Universal ESA Were Previously Enrolled

Previous enrollment	2022–23 (est.)	2023–24 (est.)
Charter schools	358	470
District schools	12,626	16,594
Non-public education (see previous section)	32,173	37,774
Universal ESA enrollment	45,157	54,838

Note: The 2023–24 numbers are estimates based on the 2024 1st quarter report given the state-reported total ESA enrollment as of December 26, 2023.

Source: Arizona Department of Education. *ESA Quarterly Reports*. <https://www.azed.gov/esa/esa-quarterly-reports>

Estimating Total Program Costs

Funding for the ESA program comes from the Basic State Aid program, which is the state’s primary system for funding K–12 public schools. Total program costs for 2022–23 are reported in ADE’s 4th quarter report to the State Board of Education. ADE reported that for the 2022–23 school year, 61,689 students took advantage of the program at an average cost of \$9,523 per participant, including both Targeted and Universal. This results in a total cost of the ESA program, including both Targeted and Universal, of just over \$587 million in the 2022–23 school year, which is a \$399 million increase (211%) over the previous year (see Table 5) and a 1,195% increase over the initial estimate by the Joint Legislative Budget Committee. The cost of the ESA program represents 8.8% of the \$6.7 billion total Basic Student Aid funding in 2022–23.²³

Using state enrollment and average spending data, the Learning Policy Institute is able to estimate the total cost of the ESA program for 2023–24. As of December 26, 2023, the state has reported that 72,428 students are enrolled in the ESA program for the 2023–24 school year—an annual increase of 10,739 students (17.4%).²⁴ It is important to note that there is no deadline for students to enroll in the program. Parents can enroll their children at any time during the school year and still receive an ESA. If the average per-pupil cost remains the same, this would produce a total cost for the ESA program of \$708.5 million in the 2023–24 school year.²⁵ The cost of the Targeted ESA program prior to its expansion was \$189 million. It is important to note that average payments under the Targeted ESA are larger than the Universal ESA payments because the payment is based on student need. Students with significant specialized educational needs receive far larger grants. In the 1st quarter of 2023–24, there were 123 students who received Targeted ESAs over \$40,000, with the highest Targeted ESA coming in at \$44,874.

Table 5. Total ESA Costs

Cost	2020–21	2021–22	2022–23	2023–24 (est.)
Average per-pupil funding	\$14,543.00	\$15,565.52	\$9,523.00	\$9,782.11
Total ESA enrollment	9,643	12,127	61,689	72,428
Total costs	\$140,238,149	\$188,763,061	\$587,464,347	\$708,498,663
Increase over 2021–22			\$398,701,286	\$519,735,602

Notes: The 2020–21 and 2021–22 school years only include Targeted ESAs. The 2023–24 numbers are estimates based on the 2024 1st quarter report given the state-reported total ESA enrollment as of December 26, 2023.

Sources: Arizona Department of Education. *ESA Quarterly Reports*. <https://www.azed.gov/esa/esa-quarterly-reports>; Arizona Department of Education. (2023, August 23). *Welcome to Empowerment Scholarship Account*. <https://www.azed.gov/esa> (accessed 12/26/23).

Estimating the Net Cost

The information in the earlier sections enables us to estimate the net cost of the ESA program. We make the assumption that only those students enrolled in the Universal ESA program produce a new cost to the state. Excluding Targeted ESA from the calculations gives us a more conservative estimate of net costs.

The Arizona Department of Education reported that 80.3% of students receiving an ESA in the 2022–23 school year were in elementary school (grades PreK–8) and 19.7% were in high school (grades 9–12). This information was used to help estimate the average value of a Universal ESA. (See Table 6.)

To determine the net cost of the program’s expansion, we started with an estimate of \$6,915 per student receiving an ESA. We derived this number by using a weighted average of the base 2022–23 ESA amounts for elementary (\$6,764) and high school (\$7,532) students based on the percentage of students enrolled in each group. Any non-public school student enrolled in the ESA program will produce a net cost to the state. In addition, if the amount of the average ESA is higher than the current amount of state funding a student receives, that will also produce an additional cost.

There is one additional group of students that needs to be taken into account when estimating the cost of ESAs to the state. Some districts’ local wealth is high enough that they do not qualify for state funding through the primary school formula; these are referred to as “No State Aid” (NSA) districts. There are 47 NSA districts in the state. Of the district school students who are enrolled in the ESA program, 12.6% attended NSA districts in the prior school year. Each student receiving an ESA who attended an NSA district produces an additional cost to the state equal to the full value of their ESA amount.

Table 6. Estimated Net Cost of the Universal ESA Program

Category	2022–23 estimated additional cost			2023–24 estimated additional cost		
	Number of students	Per student	Total	Number of students	Per student	Total
Non-public school students	32,173	\$6,915	\$222,487,697	37,774	\$7,137	\$269,588,194
District students						
• In No State Aid districts	1,595	\$6,915	\$11,028,092	2,096	\$7,137	\$14,957,941
• In Basic State Aid districts	11,031	\$448	\$4,943,020	14,498	\$443	\$6,427,798
• Charter students	358	-\$768	-\$274,830	470	-\$793	-\$372,766
Program administration			\$4,551,600			\$4,551,600
Total net cost			\$242,735,579			\$295,152,767

Notes: The 2023–24 numbers are estimates based on the 2024 1st quarter report given the state-reported total ESA enrollment as of December 26, 2023. All numbers within this table are estimates. Figures rounded to the nearest dollar. Columns may not add to total due to rounding.

Sources: Administration costs are from the Joint Legislative Budget Committee FY 2024 Appropriations Report: <https://www.azjlb.gov/24AR/ade.pdf>; Arizona Department of Education. *ESA Quarterly Reports*. <https://www.azed.gov/esa/esa-quarterly-reports>

Table 6 shows the estimated net cost of the Universal ESA program. The 32,173 students not previously enrolled in public education who accepted a Universal ESA in 2022–23 yield an estimated \$222.5 million in additional state costs, the 1,595 students previously enrolled in NSA district schools yield an estimated \$11 million in additional state costs, the 11,031 students in Basic State Aid districts produced \$4.9 million in additional spending, and the 358 students previously enrolled in charter schools yield a savings of \$275,000. The equivalent figures for the 2023–24 school year thus far are also shown in Table 6. Thus, our estimated net cost to the state of the Universal ESA program is \$242.7 million in 2022–23, increasing to \$295.2 million so far in 2023–24.

Discussion

Arizona’s ESA program grew from 12,127 to 61,689 students between the 2021–22 and 2022–23 school years, an increase of 409%. By the end of December 2023, the number had expanded further to 72,428 students. Nearly all this growth came from students enrolled in the new Universal ESA program, of which the large majority had not previously attended a public school. The projected cost of the program to the state has consistently increased since its initiation. Initially estimated at \$64.5 million for the

2023–24 school year by the Joint Legislative Budget Committee,²⁶ the program’s financial requirements have surged. The state allocated \$625 million for the program for the 2023–24 school year, but it appears that this budgeted amount will significantly undershoot the actual program cost.²⁷ Using data from ADE’s 1st quarter report for 2023–24, we calculated that the program cost to December 26, 2023, is at least \$708.5 million. To put the funding for this program into context, the estimated net funding for the ESA program in the 2023–24 school year is equivalent to the salaries of 5,198 new classroom teachers in the state (based on average teacher salary of \$56,775).²⁸

Data Needs for Future Research

This report provides an estimate of the total and net costs of Arizona’s ESA program. However, there is a general lack of publicly available data about the ESA program. The lack of data makes it difficult to know the types of students taking advantage of this program, where the program funds are being expended, and hence the cost to the state of the ESA program. It appears that most of these data are collected and available to the state but are not made available to the public. The state could better estimate future costs and help the public to better understand the impact of this program on education in Arizona by publishing the following data:

- the number of students receiving an ESA enrolled in private schools;
- the educational needs of the students from public schools who access Universal as well as Targeted ESAs, and the districts they are from;
- the number, and name, of the schools that receive ESA payments;
- the average expenditure for the state’s Universal ESA program; and
- the number of students receiving an ESA who transfer to a public school during the school year.

By furnishing a more comprehensive account of the program, the Arizona Department of Education can enhance its ability to assess both the financial implications and the overall influence of the initiative on the state. This detailed information will contribute to a more informed evaluation, facilitating more effective decision-making regarding the program’s implementation and potential benefits.

Endnotes

1. Clarey, B. (2023, May 30). School choice bills have swept the nation. Where does your state stand on the issue? *Chalkboard News*. https://www.chalkboardnews.com/issues/school-choice/article_95aeb6bb-356a-51e5-86c8-dbdb5ae9ce34.html (accessed 11/21/23).
2. Arizona Department of Education. (2023). *Parent handbook: Empowerment Scholarship Account program school year 2023–2024*. <https://www.azed.gov/sites/default/files/2023/06/2023-2024-ESA-Parent-Handbook-Accessible.pdf> (accessed 10/20/23).
3. ADE has clarified that “ESA recipients may use funds for home education, but the state classification for ‘homeschool’ is a separate designation/classification.” Arizona Department of Education. (2023). *Parent handbook: Empowerment Scholarship Account program school year 2023–2024*. (p. 5). <https://www.azed.gov/sites/default/files/2023/06/2023-2024-ESA-Parent-Handbook-Accessible.pdf> (accessed 10/20/23).
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5. A.R.S. §15-2401. <http://www.azleg.gov/ars/15/02401.htm>
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9. A.R.S. §15-185(B)(4), §15-901(B)(2)(A), §15-943(2)(a), and §15-945.
10. The amount is “equivalent to ninety percent of the sum of the base support level and additional assistance ... if that student were attending a charter school.” A.R.S. §15-2402(C). <https://www.azleg.gov/ars/15/02402.htm>
11. Arizona Joint Legislative Budget Committee. (July 2023). *FY 2024 appropriations report*. <https://www.azjlb.com/fy2024appropriationsreport.pdf> (accessed 11/17/23).
12. Arizona Department of Education. *ESA Quarterly Reports*. <https://www.azed.gov/esa/esa-quarterly-reports> (accessed 09/11/23); Arizona Department of Education. *ESA law and administrative rules*. <https://www.azed.gov/esa/resources> (accessed 09/11/23).
13. Arizona Department of Education. *Accountability & research data*. <https://www.azed.gov/accountability-research/data> (accessed 09/11/23).
14. A.R.S. §15-901(B)(2)(A), §15-943(2)(a), §15-185(B)(4), and §15-945.
15. The state provides additional per-pupil funding to districts for certain student groups, including English learners, special education students, and students attending small schools and/or districts, as well as other possible adjustments. A.R.S. §15-901(B)(2)(A).
16. A.R.S. §15-2402(C). <https://www.azleg.gov/ars/15/02402.htm>
17. These LPI-calculated per-pupil amounts match those published in state reports. See Arizona Department of Education. (2023). *Empowerment Scholarship Account quarterly report to the State Board of Education fiscal year 2023 quarter 4* (p. 27). <https://www.azed.gov/esa/esa-quarterly-reports> (accessed 09/11/23).
18. Arizona Department of Education. *Empowerment Scholarship Account*. <https://www.azed.gov/esa> (accessed 12/26/23).
19. The “school district of previous attendance” was replaced by the “school district of previous residence” in the 4th quarter report for 2022–23.
20. Arizona Department of Education does not provide disaggregated data for those Universal ESA recipients who were not previously enrolled in public school in the state. Such students may include those enrolled in private school, those previously educated at home, or those newly residing in the state.
21. This number includes kindergarten students. In the 2022–23 school year, there were 7,757 kindergarten students who were enrolled in the ESA program. The state does not provide any data about whether these students were previously enrolled in public education. Due to a lack of available data, we assumed that students in kindergarten had the same enrollment patterns as students in grades 1–12.
22. This represents only students in the ESA program who were previously enrolled in public school and identified as English learners. Arizona Department of Education. (2023). *Enrollment rates 2023–24 (Updated 1/04/2024)* [Dataset]. <https://www.azed.gov/accountability-research/data>; Arizona Department of Education. (2024). *Arizona Empowerment Scholarship Account (ESA) Program: Fiscal Year 2024 Quarter 1 Report pursuant to Arizona Revised Statutes § 15-2406*.
23. Arizona Joint Legislative Budget Committee. (July 2023). *FY 2024 appropriations report* (p. 151). <https://www.azjlb.com/fy2024appropriationsreport.pdf> (accessed 11/17/23).
24. Parents can enroll their children for this program at any time during the school year.
25. This amount does not include an additional \$2,176,400 allocated to the Arizona Department of Education to fund 26 full-time equivalent positions to administer this program. (See Arizona Legislative Budget Committee report: <https://www.azjlb.com/23baseline/ade.pdf>)
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28. National Education Association. (2023). *Rankings of the states 2022 and estimates of school statistics 2023* (Table B6). <https://www.nea.org/sites/default/files/2023-04/2023-rankings-and-estimates-report.pdf> (accessed 11/17/23).

About the Authors

Michael Griffith is a Senior Researcher and Policy Analyst at the Learning Policy Institute (LPI). He is part of LPI's Equitable Resources and Access team, where he focuses on school funding issues. Previously, Griffith was a school finance expert, first with the Education Commission of the States and then as an independent contractor. Over the past 20 years, he has worked with policymakers in all 50 states to help them reshape and reform their school funding systems, always to improve student achievement and education equity. His research has focused on the condition of state and district budgets, the adequacy and equity of state finance formulas, and promising practices in funding programs for high-need students. Griffith holds a BA in Political Philosophy from Michigan State University, an MA in Public Administration from The Ohio State University, and an MA in Education Management from Trinity College, Dublin, Ireland.

Dion Burns is a Senior Researcher on LPI's Whole Child Education, Educator Quality, and Equitable Resources and Access teams, where he conducts qualitative and quantitative research on issues of educational equity. He is a co-author of the LPI reports *Students Experiencing Homelessness: The Conditions and Outcomes of Homelessness Among California Students* and *Closing the Opportunity Gap: How Positive Outlier Districts in California Are Pursuing Equitable Access to Deeper Learning* and a co-author of the book *Empowered Educators: How High-Performing Systems Shape Teaching Quality Around the World*. He has more than 20 years of experience in education, serving in a variety of roles, including teaching, policy analysis, and international diplomacy. Burns earned an MA from Stanford University in International Comparative Education and an MA from Victoria University of Wellington (New Zealand) in International Relations.

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