

School vouchers were supposed to save money for Arizona. So far, it's not working.



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Arizona Republic

Published 8:10 a.m. MT July 6, 2023 | Updated 9:02 a.m. MT July 6, 2023

Backers of Arizona's universal school voucher program have widely touted it as a money saver for the state. But for most potential participants, the program adds to the state's costs, a new analysis shows.

The finding comes as legislative budget officials reported a surprising and steep decline in tax collections in May, raising questions about whether the state can sustain the booming price of the voucher program in coming years.

The analysis from the Arizona Association of School Business Officials broke down the different categories of students eligible for the Empowerment Scholarship Account program and showed savings come only when charter school students transfer into the program.

In every other situation — whether the student comes from a public school district, a private school, a homeschool or micro school environment — there is an extra cost to taxpayers for the ESA voucher, the analysis shows. The costs can range from \$425 if a student leaves a district public school to \$7,148 if the student already attends a private school or home school.

What you need to know: Answers to common questions about Arizona's school voucher program

Why vouchers cost the state more for most students

The idea that vouchers save the state money is based on a law that makes each universal voucher worth 90% of what the state pays for a child in a public school, presumably resulting in a 10% savings. The more children who leave the public school system for a voucher, the theory goes, the greater the savings to the education budget.

But the 90% equation isn't so simple. That percentage is pegged to what the state pays for students in public charter schools, which is higher than for students in public district schools. For example, the basic state aid for a K-8 student in a district public school is \$6,339, while it's \$7,515 in the charter system.

Budget crisis ahead?: School voucher demand climbs as state tax revenues fall

At 90% of the charter rate, the average ESA scholarship for an elementary-aged student this past year was \$6,764. That saves the state \$751 for charter students, but it adds \$325 in costs for the state for each public school student who moves to the voucher program.

For high school students, the figures are higher: A \$1,380 savings to the budget if a charter student transfers, but a \$543 loss per each student who leaves a district public school.

Charter schools account for a minority of students in Arizona's public school system: 19% in the last school year, according to figures from the Arizona Department of Education.

Voucher expenses are markedly more if a student was never in the public school system, or if a student transfers from one of the two dozen public school districts that get no basic state education aid, such as the Scottsdale Unified School District or Cave Creek Unified School District, because they have wealthy property-tax bases.

In both those cases, the \$6,764 for an elementary school voucher (or \$7,532 for a high-school voucher) is drawn entirely from the state's general fund, creating a new education expense.

Awards are higher for students with disabilities and vary with the child's needs. They were not included in the budget officers' analysis.

Voucher growth due to private, home school students

In the ESA program's first year, those in private schools or from home-schooling environments are widely believed to have fueled most of the program's four-fold growth to more than 61,000 students. With the families of these students eligible for state aid when previously they were paying out of pocket, lawmakers had to allocate an extra \$376 million from the general fund to cover the higher-than-expected growth of the universal voucher program in its inaugural year.

In late May, state schools superintendent Tom Horne released a report estimating enrollment would climb much higher, hitting 100,000 students by June 2024, at an overall cost of \$900 million.

Most of that enrollment growth will come from the district public schools, he predicted at the May news conference, arguing it will save the state money because of the 90% formula.

But while those students would actually cost the state money, there's also no hard evidence of an exodus from the public schools, said Chuck Essigs, governmental relations manager for the school budget officers association.

The organization is open to all public school K-12 business officials, as well as managers of related services, such as transportation and food service. Essigs said the vast majority of the membership works for district public schools, with a handful of charter school members.

In the first year of universal vouchers, public school enrollment held level, growing 0.05%, he said, citing state Department of Education data. And thus far, with the fall semester just a month away for many schools, Essigs said he's seen no sizeable shift of public school students to private schools.

Horne defends his savings argument, noting that if the budget officials had included transportation costs for public schools in their analysis, it would essentially make up for the cost of new enrollments.

“So it comes to pretty much the same thing,” Horne said in an interview. “We’ll just have to keep an eye on it.”

However, transportation costs don't come out of the state's basic school budget, which would seem to make Horne's argument moot.

Even if the costs of getting kids to school were included in the 90% formula, transportation money doesn't follow students when they leave a public school, Essigs said.

Instead, the transportation dollars are doled out based on the number of miles a school bus travels, not on how many students ride, he said. That means the transportation costs remain even if a student transfers to an ESA, he added.

As the universal voucher program enters its second year, supporters and critics alike are watching to see what enrollment trends emerge and how they will affect state spending.

Some see the state barreling toward a budget crisis, given the onset of the flat income tax, which caused state revenues to drop dramatically in May. Others are less concerned, noting the ESA program takes only a fraction of the state's K-12 budget.

Lawmakers have repeatedly noted they are obligated by the Constitution to fund education. But if there isn't enough money to do that and keep the rest of state government running, hard choices could lay ahead.

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