

“We should not surrender state oversight to a federal program that isn’t fully defined,” said Joseph Palomino, director of the AZCenter. “This bill asks our state to sign onto a system before we’ve seen the fine print — and once we opt in, we may not be able to set our own guardrails or fix problems if they arise.”

AZCenter also cautioned that the tax credit could result in significant federal revenue losses, potentially leading to cuts in funding for education, health care, and other essential services. Those federal reductions, in turn, could place new financial pressure on Arizona’s already tight state budget.

“This tax credit has no cap — meaning it could drain billions from public revenue and force states like Arizona to pick up the tab,” Palomino said. “Arizona’s current revenue situation cannot absorb new cost pressures without risking cuts to services families rely on while wealthy donors and private institutions benefit.”

In addition to fiscal concerns, AZCenter warned that SB 1142 could exacerbate funding challenges for Arizona’s public schools, which already rank 49th in the nation in per-pupil spending. The organization noted that recent expansions of Arizona’s Empowerment Scholarship Account (ESA) program have already redirected substantial resources away from traditional public schools.

“Public schools cannot simply downsize buildings, transportation, or utilities when funding is pulled away,” Palomino said. “Students who remain in public schools end up bearing the cost. Arizona should be strengthening its public education system — not further draining resources to subsidize private-school tuition.”

AZCenter urged lawmakers to pause and seek greater clarity on the federal program’s structure, fiscal impact, and oversight requirements before committing the state.

“This is a high-risk decision with long-term consequences for Arizona’s budget and our children’s education,” Palomino said. “We should not gamble with Arizona’s budget or our children’s future on an untested federal experiment.”

The Arizona Center for Economic Progress is a leader in advancing policies that create fairer tax codes which raise the revenue needed to invest in education, affordable housing, health care, infrastructure and other supports needed to build thriving communities and better economic opportunities for all Arizonans.

The Arizona Center for Economic Progress

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