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Arizona Center for Economic Progress Raises Concerns Over HB 4037

PHOENIX — Arizona Center for Economic Progress testified today before the Arizona House Ways & Means Committee to oppose HB 4037, warning that the bill would create a school-voucher-like program, primarily benefitting high-income households, undermining equitable tax policy, and weakening accountability in education funding — all while threatening Arizona’s long-term economic future.

During the hearing, Joseph Palomino, director of the AZCenter, told lawmakers that HB 4037 creates a large tax credit, similar to a school voucher, for wealthy households regardless of whether a child is receiving a quality education, diverting public resources away from the very public services that support workforce readiness and economic growth.

“HB 4037 offers a significant tax benefit to families who already have the resources to send their children to private school, while doing nothing to ensure children are receiving a high-quality education or that public dollars are being used responsibly,” Palomino said.

In fiscal year 2026, the bill would allow families to claim a tax credit worth thousands of dollars per child, tied to the state’s per-pupil funding level. It also would largely reward behavior that would happen anyway, rather than incentivize new investments that strengthen Arizona’s economy or improve educational outcomes.

Palomino also warned that HB 4037 could be used to bypass any future guardrails placed on empowerment scholarship accounts (ESAs), such as income caps, restrictions on how funds are spent, or requirements to ensure students’ safety and civil rights, effectively undermining legislative efforts to ensure accountability and protect public dollars and children.

Beyond education policy, the AZCenter raised serious concerns about the bill’s underlying approach to taxation and its implications for Arizona’s fiscal stability.

“HB 4037 is built on the flawed idea that people should only pay for public services they personally use,” Palomino said. “We don’t let people opt out of paying for roads they don’t drive on, fire protection they never need, or infrastructure projects that benefit other communities. If we applied this logic across the board, Arizona wouldn’t be able to fund the basic services our economy depends on.”

The AZCenter emphasized that public K-12 education is a foundational public good with broad economic benefits, including a skilled workforce, stronger communities, and long-term business competitiveness.

“Strong public schools are not just an education issue — they are an economic imperative,” Palomino added. “Businesses rely on an educated workforce, communities rely on stable schools, and Arizona’s future growth depends on shared investments that benefit everyone, not carve-outs for a few.”

Palomino also noted that HB 4037 would create inequities between taxpayers, allowing families who opt out of public K-12 education to pay less in taxes than similarly situated families who do not have children at all or use public schools — a violation of basic tax fairness principles.

AZCenter urged lawmakers to reject HB 4037 and instead pursue tax and education policies that strengthen Arizona’s workforce, promote equitable growth, and support the state’s long-term economic well-being.

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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