

# ARIZONA

Overall Market Rating: **Growth Possible—Significantly Improved**

Arizona continues to afford schools substantial regulatory freedom, and the recent expansion of the Empowerment Scholarship Account to all students will likely open this market to school and network growth.

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## Market Overview:

The Arizona private school choice market is among the least regulated of any states. Private schools operating in Arizona have complete freedom to operate as they see fit, and state regulators have very little role in the management of programs or schools. The state was the first to introduce an education savings account—called the Empowerment Scholarship Account—which parents can use toward private school tuition, online education, education therapies, or private tutoring.

As of September 2022, the Empowerment Scholarship Account is available to every student eligible to attend a public school in Arizona, with a maximum value of nearly \$7,000 per year (higher for students with special needs). The ESA expansion provides a major mechanism for private school growth. Implementation and use data will be important to monitor, but this represents a game-changing development.

In the state’s tax-credit scholarship programs, local scholarship organizations make determinations about which schools they will partner with and how money is disbursed to students and schools. The per-pupil awards in the tax-credit programs are very low: The average tax-credit scholarship amount is around \$2,000. While Arizona law allows a student to stack or accumulate multiple tax-credit scholarships, it does not allow tax-credit scholarships to be stacked with the ESA. It is unlikely any one student would be able to stack enough tax-credit scholarships to exceed the value of the ESA, which makes future growth in the tax-credit programs questionable.

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## Demographic Analysis:

### ENROLLMENT FIGURES BY SECTOR

Arizona (2019-20)	
Total Public School Enrollment (Including Charter Schools)	1,116,034
K-12 Private School Enrollment	59,171
Charter School Enrollment	214,243

ELIGIBILITY BY PROGRAM

Program	% Eligible Students	Current Enrollment (2021-22)	Eligibility Requirements
Empowerment Scholarship Account	100% of students statewide	12,127 participating students  381 participating schools	Students must be eligible to enroll in a public school in Arizona in: (1) a preschool program for children with disabilities, (2) a kindergarten program, or (3) any of grades 1-12.
Program	% Eligible Students	Current Enrollment (2020-21)	Eligibility Requirements
Individual Income Tax Credit Scholarship:  “Original”	100% of students statewide	32,560 participating students  341 participating schools	<ul style="list-style-type: none"> <li>Any K-12 student, or any pre-K student with a disability under IDEA or a 504 identification, or any student previously receiving an ESA award.</li> <li>Scholarship organizations must take financial need into account when awarding scholarships.</li> </ul>
“Switcher”	93% of students statewide	27,080 participating students in 2020-21  336 participating schools	<ul style="list-style-type: none"> <li>All students, but requires they attend a public school for 90 days in the previous year or a full semester in the current year.</li> </ul>
Low-Income Corporate Income Tax Credit Scholarship Program	56% of families with children are eligible statewide	30,423 participating students in 2020-21  280 participating schools	<ul style="list-style-type: none"> <li>Households at or below 185% of the maximum income allowed for free/reduced lunch (FRL) are eligible (\$94,974 for a family of four in 2022-23).</li> <li>Students must have attended public school for the previous semester of the current year, or 90 days of the previous year.</li> <li>Also eligible are students who attend preschool for children</li> </ul>

			<p>with disabilities, dependents of active-duty military personnel and prior-year ESA recipients.</p> <ul style="list-style-type: none"> <li>• Students who are new to Arizona have no public school attendance requirement.</li> </ul>
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Program	% Eligible Students	Current Enrollment (2020-21)	Eligibility Requirements
Lexie’s Law for Disabled and Displaced Students Tax Credit Scholarship Program	11% of students are eligible statewide	<p>964 participating students</p> <p>119 participating schools</p>	<ul style="list-style-type: none"> <li>• IDEA/504 identification</li> <li>• Children in foster care</li> <li>• Dependents of active-duty military personnel</li> <li>• Participants must have attended public school for a full semester of the current year or 90 days of the previous year</li> </ul>

## Funding:

Assessment: The expansion of Empowerment Scholarships gives Arizona both universal eligibility and the highest-value education savings account of any state; in contrast, the tax-credit scholarship funding is inadequate and its mechanisms are complicated.

### Assets:

- All children are eligible for at least one program, provided they attended an Arizona public school the previous year or are entering kindergarten.
- ESA programs are much better funded at the student level than tax-credit scholarships and don’t require annual reapplication.

### Challenges:

- Average funding amounts are very low across the tax-credit programs.
- Schools need to do a lot of work to coordinate students and scholarships with the scholarship organizations.

EMPOWERMENT SCHOLARSHIP ACCOUNT

Maximum	Average Value	Program Cap	Disbursement
90% of state base funding for public school pupils (special-needs students receive more)	\$6,500 (projected)	None	<ul style="list-style-type: none"> <li>Account holders receive a prepaid bank card (moving to class wallet system).</li> </ul>

INDIVIDUAL TAX CREDIT SCHOLARSHIP – “ORIGINAL”

Maximum	Average Value	Program Cap	Disbursement
None	\$1,922 (2020-21)	None	<ul style="list-style-type: none"> <li>Scholarship organizations award scholarships on many different timelines.</li> <li>Often scholarships are awarded in the current academic year for the next academic year.</li> <li>SOs are encouraged by the state to make payments to private schools when the schools indicate payments are due.</li> </ul>

INDIVIDUAL TAX-CREDIT SCHOLARSHIP – “SWITCHER”

Maximum	Average	Program Cap	Disbursement
None	\$1,447 (2020-2021)	None	<ul style="list-style-type: none"> <li>SOs award scholarships on many different timelines.</li> <li>Often scholarships are awarded in the current academic year for the next academic year.</li> <li>SOs are encouraged by the state to make payments to private schools when the schools indicate payments are due.</li> </ul>

CORPORATE LOW-INCOME TAX-CREDIT SCHOLARSHIP

Maximum	Average	Program Cap	Disbursement
\$5,400 (K-8) \$6,500 (9-12)	\$2,971 (2020-21)	\$102.5M	<ul style="list-style-type: none"> <li>• SOs award scholarships on many different timelines.</li> <li>• Often scholarships are awarded in the current academic year for the next academic year.</li> <li>• SOs are encouraged by the state to make payments to private schools when the schools indicate payments are due.</li> </ul>

LEXIE’S LAW TAX-CREDIT SCHOLARSHIP

Maximum	Average	Program Cap	Disbursement
Lesser of private school tuition or 90% of state funding	\$5,049 (2019-20)	\$5M	<ul style="list-style-type: none"> <li>• SOs award scholarships on many different timelines.</li> <li>• Often scholarships are awarded in the current academic year for the next academic year.</li> <li>• SOs are encouraged by the state to make payments to private schools when the schools indicate payments are due.</li> </ul>

**Policy & Regulatory Environment:**

Assessment: Significantly improved; some details still unclear

The ESA expansion is game-changing, but more visibility into implementation and use patterns, and any resulting challenges for schools, is needed in order to make a thorough assessment.

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## Human Capital:

Assessment: Under-developed

Assets:

- More than 1,000 Teach for America corps members/alumni live around Phoenix.
- The Teaching Intern Pathway allows for skilled professionals who want to become teachers to enter the profession and begin teaching right away.
- Private schools have complete freedom to hire whom they wish as teachers.

Considerations:

- There are few human capital resources outside of Phoenix.
- There is no clear strategy to increase the talent available to private schools.

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## Local Champions:

Assessment: Adequate

There are strong local education advocates that focus on K-12 issues broadly and are engaged in the work to expand private-school choice programs.

Assets:

- Elected and political leaders in Arizona are largely supportive of existing choice policies, although legislative majorities are shrinking.
- Advocacy capacity and coordination among local groups working on common legislative priorities has increased.

Considerations:

- Local stakeholders are just beginning to prioritize new school growth/development.
- There was significant opposition to the ESA expansion, led by teachers unions, but a bid to secure enough petition signatures to force a recall referendum failed.

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## Facilities:

Assessment: Under-developed, but could improve

Assets:

- Real estate is available and accessible to schools; local zoning does not present an issue in most places.
- Private school advocates are working to advance a surplus facility policy that would benefit private schools, but it is nascent.

Considerations:

- There is no public money or financing available for private schools.
- There is no local philanthropic strategy to raise facilities funds for schools.