

# ARIZONA

Overall Market Rating: Growth Ready

Arizona introduced universal eligibility for its Empowerment Scholarship Accounts in 2022, and participation has soared nearly tenfold to more than 70,000 students since then. Few regulatory barriers appear to stand in the way of newly forming private schools, but unforeseen challenges may emerge as schools gain experience navigating the law and its implementation.

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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. The ESA program added universal eligibility in 2022. 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 four tax-credit scholarship programs, dozens of local scholarship organizations make determinations about which schools they will partner with and how money is disbursed to students and schools (although the law requires them to make household income a decision factor). The per-pupil awards in the tax-credit programs are relatively low—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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## Enrollment

ARIZONA 2023-24			
Total PK-12	Public District	Public Charter	Private
1,185,787	883,457 (75%)	231,703 (20%)	70,627 (6%)

## Choice Programs

Program	Eligibility	Participants (2023-24)	Amount
Empowerment Scholarship Account	Students must be eligible to attend a public school in grades K-12, or pre-K for children with disabilities	70,925* students 398 schools	\$7,000 avg. in 2022-23 excluding pupils with special needs  \$9,500 avg. in 2022-23 including students with special needs
Low-Income Corporate Income Tax Credit Scholarship	Household income cannot exceed 342% of the federal poverty level; students already enrolled in private schools without the scholarship are not eligible	34,227 scholarship awards (2021-22)  290 participating schools	\$2,927 avg. (2021-22)
Individual Income Tax Credit Scholarship	K-12 students, and pre-K students with disabilities	33,806 scholarship awards (2021-22)  359 participating schools	\$1,954 avg. (2021-22)
"Switcher" Individual Income Tax Credit Scholarship	K-12 students who attended a public school the previous 90 days, or pre-K students with disabilities	28,647 scholarship awards (2021-22)  336 participating schools	\$1,622 avg. (2021-22)
Lexie's Law for Disabled and Displaced Students Tax Credit Scholarship	Students with a Multidisciplinary Evaluation Team (MET), Individualized Education Plan (IEP) or 504 plan from an Arizona public school district, or in foster care	1,345 scholarship awards (2021-22)  151 participating schools	\$3,763 avg. (2021-22)

\*Includes an unidentified number of students attending public school or homeschooling, using the ESA for tutoring, therapies or other qualified expenses.

## Funding

Assessment: Arizona combines 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.

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## Policy & Regulatory Environment

Assessment: Significantly improved; some details still unclear

The ESA expansion is still fresh; while entrepreneurial activity in the education sector appears to be picking up, more visibility into implementation and use patterns, and any resulting challenges for schools, is needed before the potential hurdles for new schools can fully be identified.

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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 & Climate

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 there is potential for improvement

### 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.