

Background Paper: School Choice, Arizona Style
League of Women Voters of Greater Tucson
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When Arizona became a state in 1912, its constitution established a public school system and required the legislature to provide for its proper maintenance. Until recently, most students attended their neighborhood schools. The exceptions were students who enrolled in parochial or private schools or were home schooled.

In the early 1990's, Arizona opted for school choice reform, a movement popularized by economist Milton Friedman. The Arizona Legislature adopted the Open Enrollment Law. Rather than automatically enrolling their children in the neighborhood school, parents could decide which public school was best for each child, provided they could supply transportation.

Then, in 1994, the Arizona State Legislature created charter schools, which are state-funded public schools. Applicants wishing to start a charter school apply to a sponsoring agency, such as the State Board of Education or the State Board for Charter Schools. Some school districts started charter schools before June 30, 2013, but districts cannot start new ones. Charter school teachers are not required to have Arizona teaching certificates, but the schools must comply with their charters and applicable state and federal laws, including those mandating assessments of students, and cannot charge tuition. Today there are close to 550 charter schools operating in Arizona, which serve approximately 15% of public schoolchildren.

In 1997, the Arizona Legislature voted to allow taxpayers to donate money for schools and receive a dollar for dollar reduction on their state income tax. Today, there is one tax credit for public schools, and there are four tax credits for private schools, two of which are for individual taxpayers and two are for corporate taxpayers.

The public school tax credit allows donations to a public school district or a charter school of up to \$200 for single taxpayers and \$400 for married taxpayers. Donations may be used only for extracurricular activities or character education programs. Private school tax credit programs provide for donations to school tuition organizations ("STOs"). STO's are non-profits certified by the Arizona Department of Revenue. They use donations to pay for tuition for students at private schools. In 2014, a single taxpayer can donate and receive private school tax credits of over \$1000, while married taxpayers can donate and receive credits of over \$2000.

Of the two corporate tax credits, one supports scholarships for "displaced/disabled" students and the other is for "low income" students. The total amount of tax credit authorized annually is capped. In 2013, the total tax credit cap was

set at \$5 million for “displaced/disabled” students and \$24.9 million for “low income” students.”

In 2011, the Arizona Legislature created Empowerment Scholarship Accounts (“ESAs”). ESAs allow parents of an eligible child to receive state funds to purchase educational services for their child. Initially limited to students with disabilities, the program now also includes students who attended a public school labeled “D” or “F”, have a military active duty parent or are wards of the juvenile court or former wards who have been adopted. An eligible student must also reside in Arizona and either be a kindergartner or have attended a public school full time, had an ESA or received a displaced/disabled STO scholarship during the previous school year.

There were 692 students with ESAs last year. That number increased to 1,315 students in 2014-15. There was an attempt in the last legislative session to expand the vouchers even further to children who qualify for free or reduced lunch or whose family income is up to 15 percent above that threshold, potentially increasing the number of eligible students from 200,000 to 800,000. However, the number of new ESA accounts is capped through 2019 at 0.5% of total public school enrollment in the previous school year.

Supporters of ESAs argue that with education, one size does not fit all. Parents are in the best position to know what is best for their children and ESAs allow them to choose that best option. In addition, ESAs save money because the amount that can go into an ESA is limited to 90% of what would otherwise be paid to a public school or district to educate the child. Finally, supporters believe that having to compete for students provides an incentive for all schools to work to improve.

Issues raised by critics include the relative lack of accountability measures, both for academic progress of ESA students and for use of scholarship funds; the ability of parents to reserve ESA funds for college expenses, an option not available for public school students; and the impact of multiple school choice programs on the viability and/or quality of traditional public schools.

Over the last 25 years, Arizona’s educational landscape has undergone a major transformation. A significant -- and growing -- number of Arizona children now study in schools operated by private individuals or organizations or are home-schooled. Surveys commissioned or conducted by the Friedman Foundation for Educational Choice suggest that parents who participate in school choice programs have a relatively high level of satisfaction. What is not yet known, however, is whether increasing K-12 educational choice better prepares all students for higher education, work or adult life.

A list of sources is available at <http://lwvgt.org/>.