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# THE EDUCATION DEBIT CARD II

What Arizona Parents Purchase with  
Education Savings Accounts

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Jonathan **Butcher**  
and Lindsey M. **Burke**

FEBRUARY **2016**

**Friedman  
Foundation**

*For  
Educational  
Choice*

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## Executive Summary

Arizona lawmakers enacted education savings accounts in 2011, and since then, legislators in four other states have made similar accounts available to students.<sup>1</sup> Earlier this year, Nevada enacted the first such law making education savings accounts available to every child attending public school in the state.

With an education savings account (ESA), a state deposits public money in parents' bank accounts for use on educational expenses. Parents can pay for online classes, private school tuition, personal tutors, and textbooks, along with a host of other education-related services, products, and providers. Families can save money from year to year and, in some states, even use the accounts for college tuition and fees.

In 2013, the Friedman Foundation for Educational Choice found that more than one-third of Arizona families using an ESA were using the accounts for multiple purposes, not just private school tuition.<sup>2</sup> The Foundation also partnered with the Goldwater Institute to survey parents and found that all families using the accounts reported some level of satisfaction, even parents who were highly satisfied with their child's previous public school.<sup>3</sup> Among respondents, 90 percent reported that they were either "very satisfied" or "satisfied" with education savings accounts.

This report is a follow-up study of ESA use among Arizona families and shows the types of choices parents are making for their children's education. In 2013, the Friedman Foundation used education savings account parent spending data in Arizona from September 2011 to March 2013 and found:

- 66 percent of education savings account recipients used their accounts for one educational purpose during the first five fiscal quarters after lawmakers enacted the accounts (FY 2011–12, Q1–4 and FY 2012–13, Q1);
- 34 percent of account holders used their child's account to pay for multiple education products and services;

- In FY 2011–12, Q1–4, parents saved 43 percent of education savings account money for future expenses, and parents saved 26 percent of account disbursements in FY 2012–13, Q1.

This paper uses education savings account data from the Arizona Department of Education from FY 2013–14, Q4 and FY 2014–15, Q1–4. This updated analysis finds:

- 83 percent of ESA money spent was used for private school tuition (compared with 85 percent in the 2013 Friedman Foundation report);
- Parents spent more money on tutoring (7 percent of all money expended) in this data set than in the prior study (4 percent);
- Parents spent less on educational therapy (5 percent of all expenses) than in the prior study (7 percent);
- More money was spent over this time period, 69 percent, than in the prior report (57 percent); and
- 28 percent of account holders spent their funds on multiple educational products and services, a decrease from the prior study.

These results demonstrate that with a larger and different cohort of students over a different time period, a similar—albeit smaller—percentage of students still use the accounts for multiple options. Still, new eligibility criteria and the passage of time do not change how families value the accounts' flexibility. Parents continue to access unique products and services to meet their children's learning needs.

Despite teachers' unions and other education associations' claims that ESAs are nothing more than vouchers, the data suggest otherwise. This report shows that as the program matures, families continue to use education savings accounts for more than just private school tuition. The unique design of ESAs allows these families to customize their children's educational experiences.

Today, families in Florida, Mississippi, Tennessee, and Nevada have access to accounts. Tennessee's program will begin in 2017, and Nevada's accounts are under a court injunction. Parents and lawmakers in nearly a dozen states are working to make this flexible learning opportunity available for children. In recent years, lawmakers in Oregon, Georgia, Missouri, Oklahoma, Iowa, Kansas, and Montana have considered education savings account proposals.

As more states enact education savings accounts around the country, this report and its predecessor will help lawmakers anticipate parent and student needs with these new accounts. Policymakers can use the findings in this report to guide bill drafting and the ensuing rules and regulations so that every child can make the most of his or her educational opportunities with an education savings account.

## Introduction

Kasey Locke's preschool teachers in Arizona tried to help her focus and stay on task at school.<sup>4</sup> But as Kasey entered kindergarten, her parents, Jeff and Rebecca, wanted to use a specific treatment to help their daughter succeed.

Doctors diagnosed Kasey with autism at 3 years old, and by the time she was ready for kindergarten, Jeff and Rebecca decided Applied Behavioral Analysis (ABA) was the best approach. Unfortunately, Kasey's new teachers struggled with the techniques.

"They couldn't really ever bake the whole ABA stuff into the cake," Jeff said. "We did look into private schooling, but there was no way we could financially reach that."

The Locke family applied for an ESA, and with a new school and continued educational therapy, Kasey is thriving. Her father said the program has been a huge success for his family and even Kasey's longtime therapist noticed a difference in her demeanor and performance in the classroom.

Arizona families' experience demonstrates that if given the opportunity, some parents will access multiple learning options for their children. Just as a child needs a pediatrician, dentist, and, in some cases, even a physical therapist, he or she also may need a tutor, educational therapist, and an online class. Moreover, new learning experiences require flexible education funding mechanisms. The changing landscape of education has created virtually unlimited opportunities for students to access academic content.

The type of student-centered learning that is possible with technology "opens the door for students to learn in ways that match their intelligence types in the places and at the paces they prefer by combining content in customized sequences," write Clayton Christensen, Curtis W. Johnson, and Michael B. Horn in their seminal book *Disrupting Class*.<sup>5</sup> This changing dynamic has hastened the need for policymakers to reconsider how educational content is delivered and the different ways in which students learn.

## Arizona Empowerment Scholarship Accounts: History

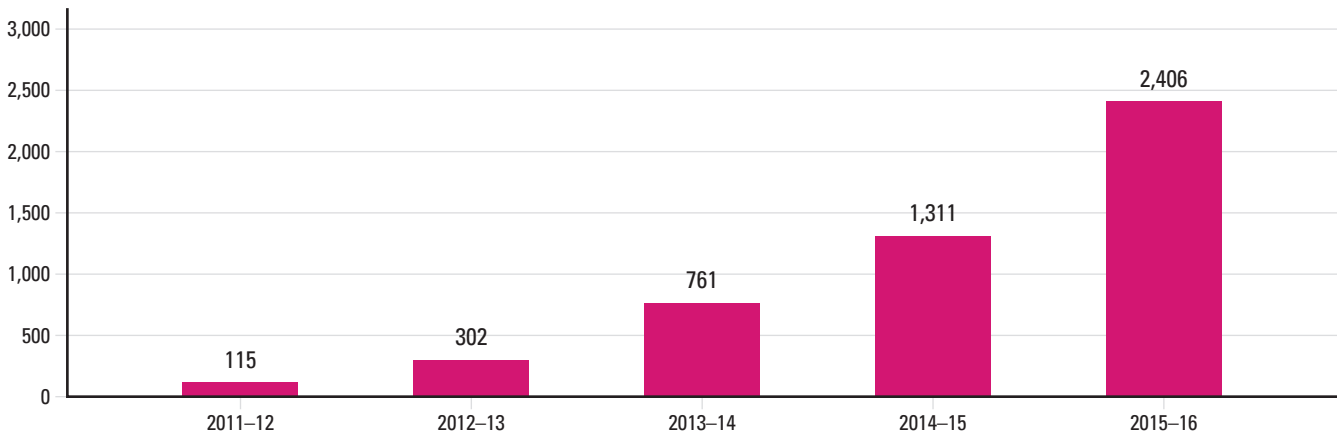
Since 2011, Arizona's education savings accounts, called "Empowerment Scholarship Accounts" in state law, have expanded both in terms of the number of eligible students and the number of participants. When the accounts began in 2011, Arizona's law allowed children with special needs who attended a public school in the prior year to apply for the accounts. At the time, approximately 125,000 Arizona children qualified.<sup>6</sup> In the program's first year, 115 students used the accounts.<sup>7</sup>

In 2012, lawmakers expanded eligibility to include students from failing schools, adopted children, and children in active duty military families.<sup>8</sup> This nearly doubled the number of eligible students to 200,000. As with the first cohort, these newly eligible students must have attended a public school in the year prior to be eligible to apply for an ESA. Participation increased to more than 300 students in the 2012–13 school year (Figure 1). Critically, this expansion also made the accounts a part of the school funding formula (see Table 1). Originally, Empowerment Scholarship Account funding was a line item in the state budget that needed reauthorization each year. As explained below, Florida's new savings account law is funded with a line-item appropriation. Arizona lawmakers fund ESAs in the same formula as district schools, while Florida lawmakers annually approve appropriations for that state's accounts.

One year later, lawmakers increased the funding for each account and made incoming kindergarten students who met the other eligibility categories eligible to apply.<sup>9</sup> As a result, kindergarten students assigned to a failing district school would not have to attend that failing school in order to be eligible for a scholarship account. Lawmakers also increased the amount of funding for each account. In 2013–14, participation increased to more than 700 students, and the following school year, the program nearly doubled once again to 1,300 participants. For the 2015–16 school year, the Arizona Department of Education reports that 2,406 accounts have been awarded.<sup>10</sup>



**FIGURE 1** Education Savings Account Participation in Arizona, 2011–12 to 2015–16 School Years



Source: Ariz. Dept. of Education, *Empowerment Scholarship Account Handbook* (Phoenix: Ariz. Dept. of Education, 2014), p. 6, <http://www.azed.gov/esa/files/2013/08/esa-parent-handbook.pdf>; Karla Escobar (Empowerment Scholarship Account Director, Ariz. Dept. of Education), e-mail message to authors, September 9, 2015; Jonathan Butcher, *A New Day for School Choice: Education Savings Accounts Turn 3 Years Old* (Phoenix: Goldwater Institute, 2013), [https://goldwater-media.s3.amazonaws.com/cms\\_page\\_media/2015/1/29/ESA%20Year%203.pdf](https://goldwater-media.s3.amazonaws.com/cms_page_media/2015/1/29/ESA%20Year%203.pdf).

**TABLE 1** Arizona’s Education Savings Account Law, 2011–2014

SB1553: Education, Arizona Empowerment Scholarship Accounts	<p>Passage: 2011</p> <p>Summary: This bill first authorized Empowerment Scholarship Accounts in Arizona. Students with special needs were eligible to apply in the 2011–2012 school year. The accounts were funded using a specific source of funds at the Arizona Department of Education for students with special needs.<sup>11</sup></p>
HB2622: School Rankings; Display; Time Period	<p>Passage: 2012</p> <p>Summary: This bill expanded student eligibility to include children attending schools that earned a “D” or “F” on the state report card, children in active-duty military families, and children adopted from the state foster care system. The bill also funded all accounts using the general fund, the primary source of Arizona state education funding.<sup>12</sup></p>
HB2458 Empowerment Scholarship Accounts; Fraud Prevention	<p>Passage: 2013</p> <p>Summary: This bill required the Arizona Department of Education to conduct annual audits in addition to the quarterly reviews of the accounts. The bill also gave the department the authority to outsource auditing responsibilities and to create fraud-reporting resources such as a 1-800 phone number and a website dedicated to fraud reporting. The bill also gave the department the authority to create a surety bond arrangement with families to help recover any misspent funds.<sup>13</sup></p>
SB1363: Empowerment Scholarship Accounts; Expansion; Funding	<p>Passage: 2013</p> <p>Summary: This bill expanded student eligibility to include incoming kindergarten students who meet the existing eligibility requirements for the savings accounts. The bill also adjusted the funding formula so that the basic amount of account awards was increased to approximately \$5,300.<sup>14</sup></p>
HB2150: Empowerment Scholarship Accounts; Military Families	<p>Passage: 2014</p> <p>Summary: This bill removed the requirement that children of active duty members of the military attend a public school for 100 days in the prior school year before applying for an Empowerment Scholarship Account. In addition, the bill added eligibility for children from families where a parent was in the military and was killed in the line of duty.<sup>15</sup></p>
SB1237: Empowerment Scholarship Accounts; Revisions	<p>Passage: 2014</p> <p>Summary: This bill provided some technical fixes for the accounts. New provisions included the Arizona Department of Education’s ability to outsource student Individualized Education Plan (IEP) drafting to private providers and provides more flexibility for parents over when the department of education deposits funds in a student’s savings account.<sup>16</sup></p>
HB2139: Increased Eligibility; Empowerment Scholarship Accounts	<p>Passage: 2014</p> <p>Summary: This bill extended Empowerment Scholarship Account eligibility to include siblings of existing Empowerment Scholarship Account students. The bill also made preschool children with special needs eligible for the accounts.<sup>17</sup></p>
SB1332	<p>Passage: 2015</p> <p>Summary: This bill expanded Empowerment Scholarship Account eligibility to include children living on Native American reservations in Arizona.<sup>18</sup></p>

Source: Adapted from Jonathan Butcher, *Education Savings Accounts and Improving Oklahoma Student Achievement* (Oklahoma City: 1889 Institute, 2015), <http://nebula.wsimg.com/83e2e0f3e69541338ffa7e47d7371773?AccessKeyId=CB55D82B5028ABD8BF94&disposition=0&alloworigin=1>.

The Arizona Department of Education has discretion to create rules and regulations for participating families. In 2013, the department eased regulations for parents of children with special needs by making it easier for such families to renew or postpone renewal of a child’s documentation for his or her special needs.<sup>19</sup> This change in regulations reflected parent comments on surveys conducted by the Goldwater Institute and the Friedman Foundation. The survey revealed parents were having difficulty working with their local school districts to comply with the requirement that students using Empowerment Scholarship Accounts maintain a current Individualized Education Plan (IEP) or Multidisciplinary Evaluation Team (MET) report, as required by Arizona law.<sup>20</sup>

Arizona lawmakers also passed legislation giving the department of education additional tools to prevent potential fraud and misuse of account funds.<sup>21</sup> For example, in 2013, legislators gave the department the authority to create a 1-800 number for fraud reporting and a website where parents or vendors could report fraud. The department also has specific guidelines for when account audits are to be conducted and how to implement a surety bond system that would protect the state from any misuse.<sup>22</sup> Even with these additional transparency provisions, Arizona’s education savings accounts received the best score from the Friedman Foundation’s report on private school choice programs and regulation in 2014.<sup>23</sup>

Families saving unused funds from year to year in their ESAs demonstrate that parents will utilize this

important feature of the law. Since the accounts can be used for college expenses, parents may save for the cost of higher education. In Arizona, tuition and fees for state colleges and universities have seen a 77 percent increase in the last five years.<sup>24</sup> Nationally, college tuition has increased 80 percent since 2003, faster than the price increases for medical care, food, and housing.<sup>25</sup> Parents have good reason to set aside funds for college once K–12 expenses have been paid. Parents may also be aware that tuition often increases once students enter high school and desire to save funds to pay for private school tuition later in a child’s education.<sup>26</sup>

The savings component is an important feature of the education savings account model, the name of which suggests savings are expected and allowable. Parents can consider the prices of different educational products and services. The accounts allow them to make decisions concerning the present and the future of their child’s education.

When parents save money with education savings accounts they are preparing for future expenses. Arizona law requires that accounts close after four consecutive years of nonuse after a child finishes high school—so a parent has no incentive to save money in the accounts indefinitely because the funds eventually revert to the state.<sup>27</sup> The department knows where the money is held (in a child’s account) and how much is being saved. When district school officials commit fraud or theft, often the funds cannot be recovered and the misdeeds go unnoticed until caught by special investigators.

**TABLE 2** 2015–16 Arizona Empowerment Scholarship Account Enrollment

Student Eligibility	ESA Enrollment	Percent of Enrollment
Special needs	1,395	58%
Previously assigned to a failing school	360	15%
Child of active-duty military family	273	11%
Adopted	182	8%
Native American students	143	6%
Siblings	53	2%
Total	2,406	100%

Source: Karla Escobar (Empowerment Scholarship Account Director, Ariz. Dept. of Education), e-mail message to authors, September 9, 2015.

The Arizona Department of Education monitors spending and has resolved misuse with families before disbursing account funds from one fiscal quarter to another. Department officials will suspend accounts when staff finds questionable spending. The agency outlines the process for account suspension and closure as well as the procedures for a parent's appeal in the ESA handbook available on the agency's website.<sup>28</sup>

Today, students from all walks of life are using education savings accounts in Arizona. Some 1,395 students with special needs used an account in Arizona in 2015–16 (Table 2). Approximately 42 percent of the students using an account were children eligible for reasons other than special needs.

## Review of Prior Education Savings Account Spending Research

In 2013, the Friedman Foundation for Educational Choice conducted the first study of Arizona families' purchases with Empowerment Scholarship Accounts.<sup>29</sup> The study found:

- 207 families (approximately 66 percent) of Empowerment Scholarship Account recipients appear to use their funds in a manner similar to a traditional school voucher.
- Those 207 families were able to finance private school tuition at 87 private schools.
- 109 families (34 percent) used their funds for multiple educational options.
- Seven families (2.2 percent) used their Empowerment Scholarship Account funds to finance online learning options.
- 47 families (15 percent) used their ESAs for private tutoring.

- 39 families (12.3 percent) chose to use a portion of their funds to finance curriculum.
- 62 families (20 percent) accessed education therapy and services via ESA funds.
- Unspent funds suggest families were saving and “rolling over” a significant portion of the ESA funds, likely in anticipation of future education-related expenses.

This research demonstrated that parents used the flexible options that the accounts afforded them to fund a variety of educational products and services for their children.

The Arizona Supreme Court recognized the accounts' multiple uses in March 2014 by refusing to review a lower court's decision in *Niehaus v. Huppenthal*, which challenged the accounts' constitutionality.<sup>30</sup> The Arizona School Boards Association and Arizona Education Association, the state teachers' union, filed a lawsuit claiming the accounts were identical to school vouchers. The Arizona Supreme Court ruled school vouchers violated the state constitution in 2009, and the associations tried to argue that the Empowerment Scholarship Accounts violated the constitution as well.<sup>31</sup>

In *Niehaus*, the state Supreme Court upheld the unanimous court of appeals' ruling. Appeals Judge Jon W. Thompson wrote, “The ESA does not result in an appropriation of public money to encourage the preference of one religion over another, or religion per se over no religion. Any aid to religious schools would be a result of the genuine and independent private choices of the parents.”<sup>32</sup>

Parents' continued use of education savings accounts for multiple purposes, which this paper demonstrates, is a key finding not only because parents can create a unique learning experience for their child, but because this feature also distinguishes the accounts from vouchers. In Arizona's courts, this finding was critical to keeping the program from being shuttered. In his appeals' court decision, Judge Thompson wrote,

“Where ESA funds are spent depends solely upon how parents choose to educate their children. Eligible school children may choose to remain in public school, attend a religious school, or a nonreligious private school. They may also use the funds for educational therapies, tutoring services, online learning programs and other curricula, or even at a postsecondary institution.”<sup>33</sup>

Lawsuits against parental choice in education vary from state to state, and the *Niehaus v. Huppenthal* decision is no guarantee that education savings accounts will be ruled constitutional in every state. Nearly 40 states have constitutional provisions that teachers’ unions and other associations have cited in efforts to block parental choice in education.<sup>34</sup>

However, *Niehaus* provides valuable precedent for parents in states like Nevada. Shortly after Nevada Gov. Brian Sandoval signed education savings accounts into law, the American Civil Liberties Union sued to block the accounts.<sup>35</sup> The plaintiffs charged that the accounts violate provisions in Nevada’s constitution prohibiting the use of public money for religious purposes—a similar claim as filed in *Niehaus*. The Arizona Court of Appeal’s decision does not guarantee Nevada courts will rule the same, though the Arizona decision provides important precedent for Nevada from another state with a similar program. Currently, Nevada’s ESA program is under an injunction based on a court ruling pertaining to the state’s funding formula, not constitutional provisions.<sup>36</sup> ESA opponents in Nevada have filed multiple lawsuits, some with legislative complaints and others with constitutional issues, to block students from accessing the accounts.<sup>37</sup>

## Data

The Arizona Department of Education provided data for this report.<sup>38</sup> The figures are parents’ self-reported receipts for expenses incurred using Empowerment Scholarship Accounts between the fourth fiscal quarter of 2013–14 and the fourth quarter of 2014–15 (five fiscal quarters in total). The department tracked all of the receipts and confirmed all of the expenses using

a web portal provided by Bank of America, Arizona’s contractor for state financial services.

The Foundation’s data set included 1,416 unique account holders. Not all of the account holders had expenses for all five of the available fiscal quarters for which the Arizona Department of Education provided data. For example, some account holders were using an account in the 4th quarter of 2013–14 and continued to use an account until the 4th quarter of 2014–15, which was the last available fiscal quarter for which the department provided data.

The department had not completed a review of all of the expense reports from FY 2014–15, Q4 at the time the agency provided the data set. Data from this quarter were not used in all of the analyses below. Q4 of 2014–15 data, where omitted, is noted.

### Arizona Empowerment Scholarship Account Family Spending, FY 2013–14, Q4 to FY 2014–15, Q1–4

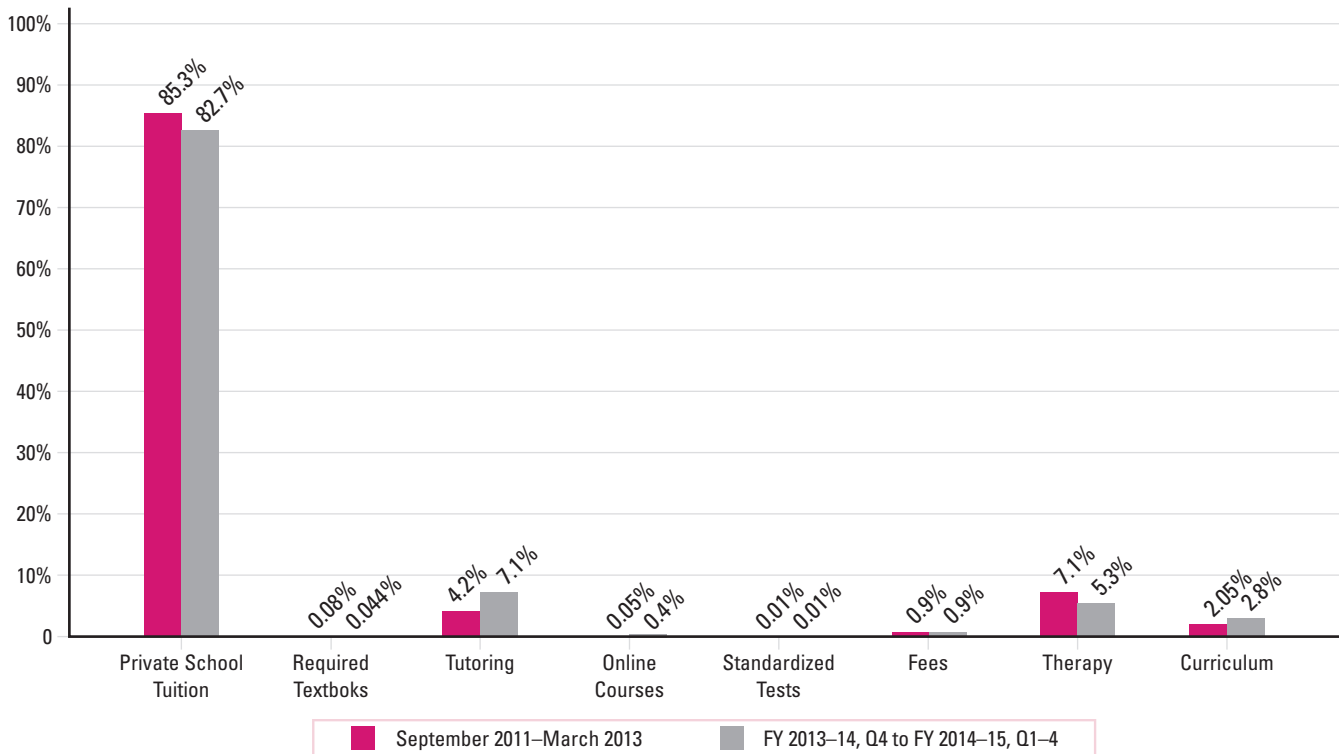
In total, between the fourth fiscal quarter of 2013–14 and the fourth quarter of 2014–15 (five fiscal quarters in total), the Arizona Department of Education awarded more than \$19.5 million to families and their children in Empowerment Scholarship Accounts (for a full table of descriptive statistics, see Appendix 3).

The Foundation’s main findings are:

- 83 percent of Empowerment Scholarship Account money spent was used for private school tuition (compared with 85 percent in the 2013 Friedman Foundation report);
- In total, account holders spent a larger portion of the money during this time period on tutoring (7 percent of all money expended) than in the prior study (4 percent);
- As a percentage of the total, account holders spent less on educational therapy (5 percent of all expenses) than in the prior study (7 percent);

**FIGURE 2**

Arizona Empowerment Scholarship Account Spending Comparison, September 2011–March 2013 and FY 2013–14, Q4 to FY 2014–15, Q4



Source: Ariz. Dept. of Education Restricted-Use Data; Lindsey Burke, *The Education Debit Card: What Arizona Parents Purchase with Education Savings Accounts* (Indianapolis: Friedman Foundation for Educational Choice, 2013), p. 12, <http://www.edchoice.org/wp-content/uploads/2013/08/2013-8-Education-Debit-Card-WEB-NEW.pdf>.

- More money was spent in this data set, 69 percent, than in the prior report (57 percent);
- 28 percent of account holders spent their funds on multiple educational products and services (compared with 34 percent in the 2013 report); and
- Families used ESA funds at 149 different private schools (up from 87 different private schools in the 2013 report) (see Table 3).

As mentioned earlier, Friedman Foundation research in 2013 found that of the money families spent from their education savings accounts, 85 percent was spent on private school tuition (Figure 2). Table 2 shows that parents spent a similar amount based on data the department provided for the last fiscal quarter of 2013–14 and all of 2014–15.

Figures from 2011–2013 and the current data set show that from the first data set to the current time period,

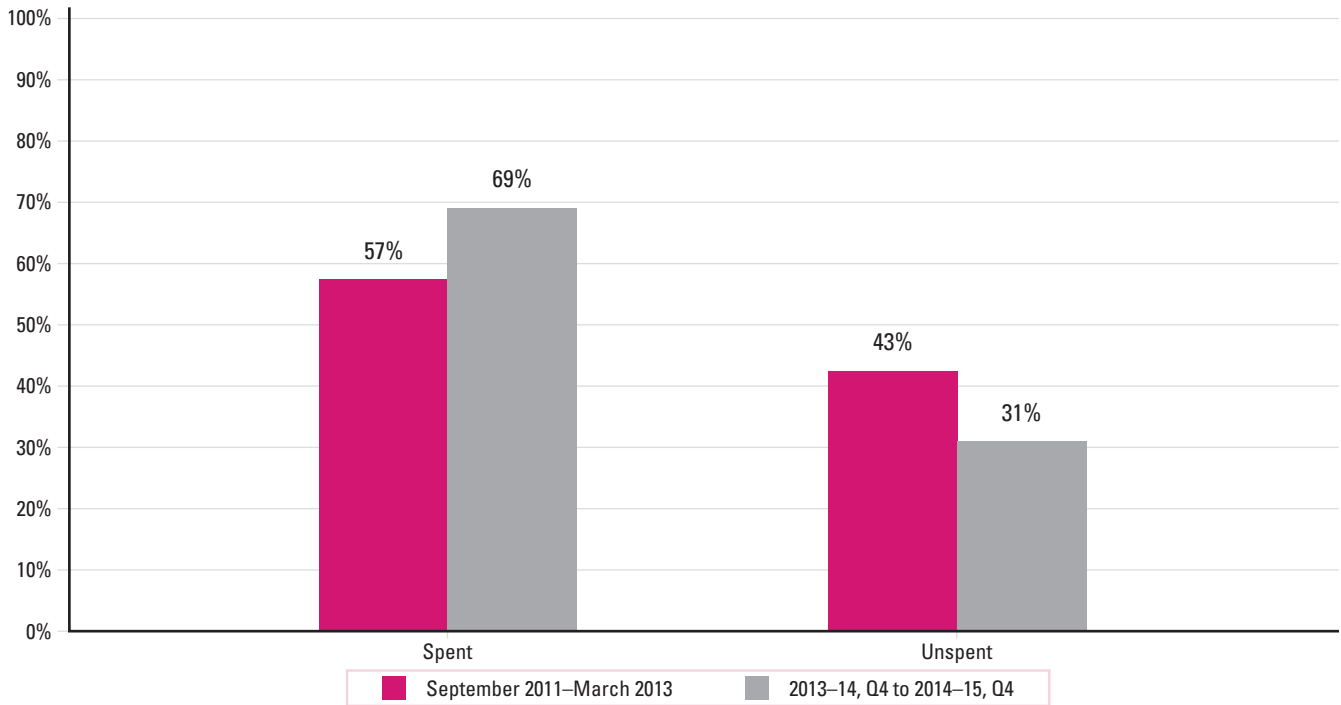
parents spent more of their account funds and saved less during in the current time period (Figure 3).<sup>39</sup>

In the Friedman Foundation’s 2013 paper, 65.5 percent of account holders used their account for a single educational option, whereas 34.5 percent used their account for multiple educational products and services. Account holders in the selected data set have similar spending patterns (Figure 4). Figure 4 is likely an underestimate of the percentage of account holders using their child’s account for multiple purchases because the Arizona Department of Education’s data from 2014–15, Q4 was incomplete when provided for this paper.

### Spending by Fiscal Quarter

One can estimate how many families are using an ESA to customize their child’s education by counting how many families use an account for more than

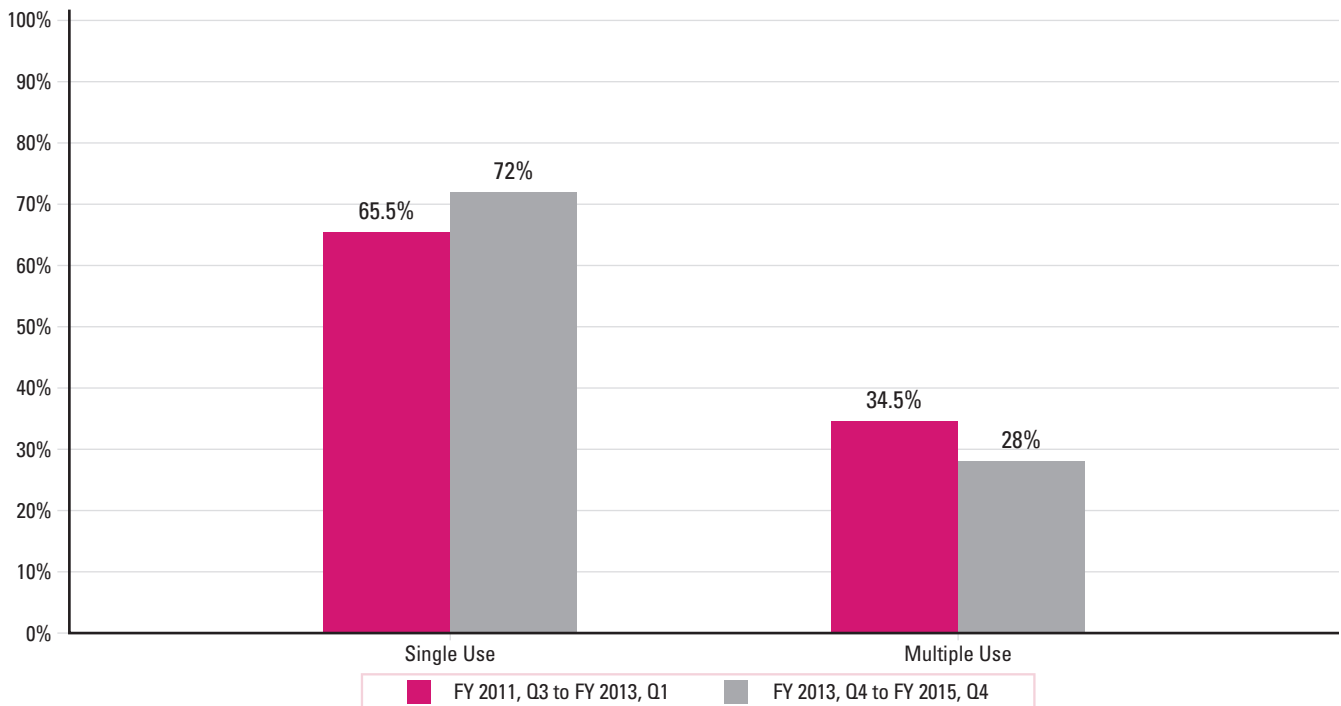
**FIGURE 3** Percentage of Education Savings Account Money Spent and Unspent, September 2011-March 2013 and FY 2013-14, Q4 to FY 2014-15, Q4



Source: Ariz. Dept. of Education Restricted-Use Data; Lindsey Burke, *The Education Debit Card: What Arizona Parents Purchase with Education Savings Accounts* (Indianapolis: Friedman Foundation for Educational Choice, 2013), p. 12, <http://www.edchoice.org/wp-content/uploads/2013/08/2013-8-Education-Debit-Card-WEB-NEW.pdf>.

Note: The amount unspent for the 2013–14, Q4 to 2014–15, Q4 data set likely overestimates the amount unspent because the Ariz. Dept. of Education had not completed spending data entry when it provided the authors with the data.

**FIGURE 4** Percent of Empowerment Savings Account Holders that Used an Account for Single vs. Multiple Uses



Source: Ariz. Dept. of Education Restricted-Use Data; Lindsey Burke, *The Education Debit Card: What Arizona Parents Purchase with Education Savings Accounts* (Indianapolis: Friedman Foundation for Educational Choice, 2013), p. 12, <http://www.edchoice.org/wp-content/uploads/2013/08/2013-8-Education-Debit-Card-WEB-NEW.pdf>.

one educational product or service. This report finds remarkable consistency in the percentage of families using their accounts to customize their children’s education from the 2011–12 school year through the 2014–15 school year.

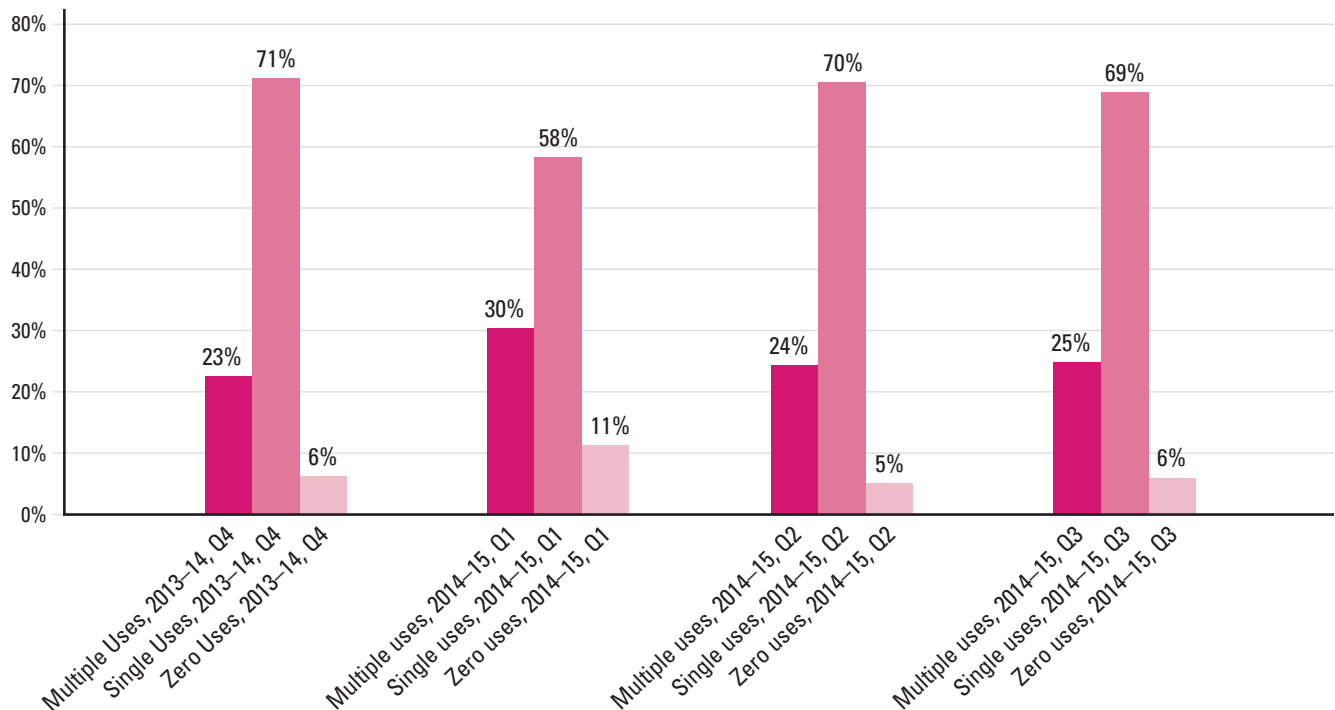
Over the course of this data collection period, families made 479 payments for educational therapies, totaling nearly \$680,000. Median educational therapy spending per quarter was \$871.92. Families also made 527 payments to private tutors, totaling more than \$932,000. Median spending on tutoring per quarter was \$1,007.50. Families also purchased curricula and textbooks, spending nearly \$360,000 on curricula. Median quarterly spending on K–12 and college textbooks was \$100, and \$150, respectively. Families also used their ESAs to finance online learning options, directing nearly \$48,000 toward that use, and took advantage of the option to save funds for college, accumulating more than \$67,000 in college savings plans. Spending over the period from the fourth quarter of the 2013–14 school year through the third

quarter of the 2014–15 school year clearly indicates that families use their ESAs to customize an à la carte education for their children.

### Private School Participation

Families using ESA funds to pay for private school tuition sent their children to a variety of schools. Children attended college prep schools, parochial schools (Catholic, Protestant, Jewish), Waldorf academies (which separate child development into stages), Montessori schools, schools dedicated to teaching individuals with autism, schools for the deaf, and international schools, among many others. In all, during the fourth quarter of the 2013–14 school year and through the fourth quarter of the 2014–15 school year, families were able to finance tuition at 149 different private schools, up from 87 different private schools during the 2012–13 school year. Ninety of these schools were religious institutions, whereas 50 were not (information not available for all schools, see Table 3).

**FIGURE 5** Education Savings Account Spending by Fiscal Quarter, FY 2013–14, Q4 to FY 2014–15, Q3



Source: Ariz. Dept. of Education Restricted-Use Data; author calculations.

Note: Figures for FY 2014–15, Q4 are not included because the Ariz. Dept. of Education had not completed spending data entry when it provided the authors with the data.

**TABLE 3** Arizona Schools Enrolling Education Savings Account Students and School Religious Affiliation

Private School	Religious
ABA Center LLC/ Arizona Behavior & Autism LLC	No
Ajo Christian Academy	Yes
Annunciation Catholic School	Yes
Arizona Lutheran Academy	Yes
Aurora Day School	No
Autism Academy for Education & Development (Gilbert)	No
Autism Academy for Education & Development (Tempe)	No
Autism Spectrum Center for Educational and Neurological Development	No
Awakening Seed School	No
AZ Assist Academy	No
Bios Christian Academy	Yes
Black Mountain Science Academy	No
Bourgade Catholic High School	Yes
Breakthrough Academy	No
Bridges Preschool and Kindergarten	No
Brightmont Academy (Chandler)	No
Brightmont Academy (Deer Valley)	No
Brightmont Academy (Scottsdale)	No
Brite Future Academy	No
Brophy College Prep	Yes
Cambridge Academy	No
Camelback Desert School	No
Camp Verde United Christian School	Yes
CARD Academy	No
Carden Christian Academy Central	Yes
Casas Christian School	Yes
Chapel Haven West	Yes
The Children's Center for Neurodevelopmental Studies	No
Children's Safari Learning	No
Christ Church School	Yes
Christ Lutheran School	Yes
Christ Yuma Lutheran School	Yes
Christian Academy of Prescott	Yes
Christ's Greenfield Lutheran School	Yes
Chrysalis Academy (Tempe)	No
Covenant Child Care Center	Yes
Creative Bridges Cooperative Preschool	NA
Dayspring Preschool and Kindergarten	NA



**TABLE 3** *Continued*

Private School	Religious
Desert Christian High School	Yes
Desert Dawn Private School	No
Desert Garden Montessori	Yes
Desert View Learning Center	Yes
El Dorado Private School	Yes
Emmaus Lutheran School	Yes
Faith Christian School	Yes
Flagstaff Community Christian School	Yes
Freedom Christian Academy	Yes
Gateway Academy	No
Gethsemane Lutheran School	Yes
Gilbert Christian (Elementary and Middle)	Yes
Gilbert Christian (High)	Yes
God's World Preschool	Yes
Gompers	No
Gospel Outreach Christian School	Yes
Grace Community Christian School	Yes
Grace Fellowship Academy	Yes
GracePointe Christian Academy	Yes
Grow & Learn Preschool	No
Herberger Young Scholars Academy	No
Hi-Star Center for Children	No
Hubbard	NA
Intermountain Academy	No
International School of Tucson	No
Ironwood Hills Christian School	Yes
Joy Christian School	Yes
KASL Academy for the Deaf and Hard of Hearing	No
Keystone Montessori	No
Kimber Academy	Yes
Kino School Learning Center (DBA Kino School)	No
Lamb's Gate Christian School	Yes
Lauren's Institute for Education	No
Lexington Life Academy	No
Lexis Preparatory School	No
Logos Christian Academy	Yes
Lorretto Catholic School	Yes
Lourdes Catholic School	Yes

**TABLE 3** *Continued*

Private School	Religious
Montessori International School	No
Montessori Of Surprise	No
Mountain Christian School	Yes
New Covenant Lutheran School	Yes
New Vistas Center for Education	No
New Way Academy	No
Northwest Christian School	Yes
Notre Dame Preparatory	Yes
On Track Academy	No
Our Lady of Mt. Carmel Roman Catholic Elementary	Yes
Our Mother of Sorrows Catholic School	Yes
Our Lady of Perpetual Help Glendale	Yes
Palms Christian School	Yes
Paradise Valley Christian Preparatory	Yes
Paradise Valley Cooperative School	No
Pardes Jewish Day School	Yes
Pathways School and Evaluation Center	No
Payson Christian School	Yes
Phoenix Christian School	Yes
Phoenix Country Day School	No
Phoenix Hebrew Academy	Yes
Phoenix Rising Free School	No
Pieceful Solutions	No
Pleasantview Christian Elementary School	Yes
Prestige School	No
Primrose School	No
Quality Interactive Montessori	No
Queen of Peace School	Yes
Redeemer Lutheran School	Yes
Redeemer Christian School	Yes
Red Sands Christian School	Yes
Saints Peter & Paul Catholic School	Yes
Saint Michaels Indian School	Yes
Salpointe Catholic High School	Yes
San Miguel Catholic High School	Yes
San Xavier Mission School	Yes
Santa Cruz Catholic School	Yes
SARRC- Community School	No

**TABLE 3** *Continued*

Private School	Religious
Seeds for Autism	No
Shepherd of the Desert School	Yes
Sierra Academy of Scottsdale	No
SS. Simon and Jude Cathedral School	Yes
St. Agnes Catholic School	Yes
St. Ambrose Catholic School	Yes
St. Anthony of Padua Catholic School	Yes
St. Augustine Catholic High School	Yes
St. Cyril of Alexandria School	Yes
St. Dominic Savio Academy	Yes
St. Elizabeth Ann Seton Catholic School	Yes
St. Francis Xavier Parish	Yes
St. Gregory Catholic School	Yes
St. John Bosco Catholic School	Yes
St. John the Evangelist Catholic School	Yes
St. Joseph Catholic School	Yes
St. Joseph	Yes
St. Louis the King Catholic School	Yes
St. Michael Indian School	Yes
St. Vincent de Paul Catholic School	Yes
Stepping Stones Homeschool	Yes
Sunrise Montessori School	No
Tesseract School (Elementary)	No
Tesseract School (Middle and High)	No
The Abbie School	No
The Fenster School	No
The ORME School	No
Tri-City Christian Academy	Yes
Trinity Christian School	Yes
Trinity Lutheran School	Yes
Tucson Baptist Academy	Yes
Tucson Waldorf Education	No
Valley Christian High School	Yes
West Valley Christian School	Yes
Xavier College Preparatory	Yes

Source: Ariz. Dept. of Restricted-Use Education; author research.

## Policy Recommendations

- 1. Allow more students to participate in an ESA Program.** Every family should have the chance to find a quality education for its child, and increasingly, that means more than a classroom. From personal tutors and online classes to science kits and college classes, education savings accounts are the most flexible resource available to students. The data in this paper demonstrate that, when given the opportunity, families will make multiple choices for how and where their child learns.

Critically, even among those who only choose a new school for their child, education savings accounts give parents and their students the chance to find a quality education that an assigned school may not provide.

- 2. Make sure the accounts are adequate to provide a quality education.** The average education savings account in Arizona is approximately \$5,000, whereas the average amount taxpayers spend per student in that state is nearly \$9,000.<sup>40</sup> No child should be discounted from having access to the schools and other educational resources that will help him or her succeed. Though Arizona's accounts may help most families cover tuition for their child in elementary or middle school, future expenses and additional educational therapies require more financial resources. High school tuition in Arizona, along with college tuition, can be \$10,000 to \$14,000 or more (see Appendix 2). Lawmakers should make education funding fair for every student.
- 3. Limit regulations on providers and avoid state testing mandates.** Policymakers should carefully write provisions that provide transparency to taxpayers and families but protect account holders' and private schools' autonomy. Lawmakers should avoid mandating that students have to take a uniform statewide-test. Research suggests that regulations such

as state testing mandates discourage private school participation in school choice programs, limiting the choices available to families.<sup>41</sup> Moreover, parents rank school outcomes on state tests as the least important information they consider when engaging in the school selection process.<sup>42</sup>

Policymakers should consider transparency to have two distinct components: accountability for academic outcomes and accountability for taxpayer dollars. Parents are responsible for making sure their child is succeeding and directing their child's future if a child is not. Policymakers should require that a third-party researcher collect nationally normed test results from participating students and report periodically on the results. In this way, the test will not dictate how and what schools choose to teach. In fact, in Arizona, survey evidence finds that 93 percent of private schools participating in the state's tax-credit scholarship program already ask students to take a nationally norm-referenced test.<sup>43</sup>

State policymakers should also provide fiscal transparency to taxpayers. Arizona's experience indicates that effective measures include quarterly reporting requirements and individual account audits. The state should add dual checks on expenditures so that both the provider and account holder verify a purchase before it is complete. This process would improve the state's fiscal transparency for ESAs and help to stop fraudulent purchases before they happen.

## Conclusion

Customization continues to play a major part in the story of ESA use among families, with nearly 30 percent of the 1,416 families in this study using their ESAs for multiple purposes. The figure for the percent of account holders using their child's account for multiple purposes is likely an underestimate because the Arizona Department of Education's data from

Q4, 2014–15 was incomplete when provided for this paper. The findings contained in this second review of Arizona parent use of Empowerment Scholarship Accounts demonstrate that ESAs are functionally different from private school scholarship programs such as school vouchers or scholarships funded via tax credits. Moreover, the findings suggest that ESAs do not become vouchers over time. Families take advantage of the flexibility provided through the unique structure of ESAs to access a variety of learning options.

## Appendix 1: Data Sources

The Arizona Department of Education provided the data for this report. Parents self-reported their expenses using Empowerment Scholarship Accounts, and the department tracked all of the receipts. The authors confirmed the veracity of the figures with the department prior to publication. The department confirmed the expenses using a web portal provided by Bank of America, Arizona's contractor for financial services.

The Arizona Department of Education data set included 1,416 unique account holders. Not all of the account holders had expenses for all five of the available fiscal quarters for which the department provided data. For example, some account holders were using an account in the 4th quarter of 2013–14 and continued to use an account until the 4th quarter of 2014–15, which was the last available fiscal quarter for which the department provided data.

Other account holders only kept their account for the 4th quarter of 2013–14, for example, and then left the program after the 1st quarter of 2014–15.

The department had not completed a review of all of the expense reports from FY 2014–15, Q4 at the time the agency supplied the dataset to the authors. The data for this fiscal quarter are incomplete.

## Appendix 2: Arizona Private Schools and Empowerment Scholarship Accounts

Arizona Department of Education Empowerment Scholarship Account Private School List, Average and Median Tuition Rates

	Elementary	Middle School	High School
Average	\$8,144.51	\$8,810.28	\$14,033.24
Median	\$5,770.00	\$6,000.00	\$10,324.00

Source: Ariz. Dept. of Education Restricted-Use data; author calculations.

Note: Tuition rates were available for 102 of the 149 schools provided by the department. Some of the institutions are medical facilities, rehabilitation centers, or therapy centers, not traditional educational entities. The cost to treat children at these therapy centers varies according to a student's need.

## Appendix 3:

### Arizona Empowerment Scholarship Account Spending from 2013–14, Q4 to 2014–15, Q4, Descriptive Statistics

Statistic	Amount
Total Number of Unique Account Holders in the Data Set	1,416 <sup>44</sup>
Total Amount Awarded to Families, 2013–14 Q4 to 2014–15 Q4	\$19.5 million
Average Quarterly Award	\$3,501
Median Quarterly Award	\$3,213
Average Annual Award	\$14,005
Median Annual Award	\$12,852
Amount Spent on Private School Tuition and Fees	\$11.1 million
Percent of the Total Empowerment Scholarship Account Awards Used for Private School Tuition	83%
Percent of Account Holders that Used an Account for One Purpose	28%
Money Spent on Textbooks Required by a Private School	\$5,898
Curriculum	\$377,324
Tutoring	\$955,564
Educational Therapy	\$708,217
Tuition and Fees at Private Online Learning Programs	\$48,819
Contributions to Coverdell 530 College Savings Accounts	\$74,232
Percent of Money Spent During this Time Period	69%
Percent of Money Unspent During this Time Period	31%

Sources: Ariz. Dept. of Education Restricted-Use data; author calculations.



## Appendix 4:

### Percent of Account Holders with Single, Multiple, or Zero Uses by Fiscal Quarter

Category	Count	Percentage
Multiple Uses, 2013–14, Q4	149	23%
Single Uses, 2013–14, Q4	470	71%
Zero Uses, 2013–14, Q4	42	6%
Total ESAs, 2013–14, Q4	661	100%
Multiple uses, FY 2014–15, Q1	408	30%
Single uses, FY 2014–15, Q1	781	58%
Zero uses, FY 2014–15, Q1	150	11%
Total ESAs, FY 2014–15, Q1	1339	100%
Multiple uses, FY 2014–15, Q2	297	24%
Single uses, FY 2014–15, Q2	856	70%
Zero uses, FY 2014–15, Q2	63	5%
Total ESAs, FY 2014–15, Q2	1216	100%
Multiple uses, FY 2014–15, Q3	298	25%
Single uses, FY 2014–15, Q3	824	69%
Zero uses, FY 2014–15, Q3	73	6%
Total ESAs, FY 2014–15, Q3	1195	100%

Sources: Ariz. Dept. of Education Restricted-Use data; author calculations.

Note: The Ariz. Dept. of Education had not completed expenditure reporting for FY 2014–15, Q4 when they provided data to the authors.

## Appendix 5:

### Empowerment Scholarship Account Expenditures by Type from 2013–14, Q4 through 2014–15, Q1–3, Descriptive Statistics

#### Private School Tuition

During the fourth quarter of the 2013–14 school year, families made 514 payments for private school tuition, totaling \$1.59 million. The median private school tuition payment during the fourth quarter was \$3,031.17. During the first quarter of the 2014–15 school year, families made 988 payments for private school tuition, totaling \$2.96 million. The median private school tuition payment that quarter was \$1,417.23. During the second quarter of the 2014–15 school year, families made 956 payments for private school tuition, totaling \$3.01 million. The median private school tuition payment that quarter was \$1,538.34. During the third quarter of the 2014–15 school year, families made 932 payments for private school tuition, totaling \$2.96 million. The median private school tuition payment that quarter was \$1,764.00. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made 3,375 tuition payments to participating private schools, totaling \$10.5 million. The median private school tuition payment per quarter over the data collection period was \$1,688.25.

#### Private School Fees (field trip fees, enrollment fees, etc.)

During the fourth quarter of the 2013–14 school year, families made 17 payments to cover associated private school fees, totaling \$6,115.39. Median spending on private school fees that quarter was \$545.00. During the first quarter of the 2014–15 school year, families made 172 payments to cover associated private school fees, totaling \$58,366.68. Median spending on private school fees that quarter was \$174.80. During the second quarter of the 2014–15 school year, families made 66 payments to cover

associated private school fees, totaling \$25,871.94. Median spending on private school fees that quarter was \$121.10. During the third quarter of the 2014–15 school year, families made 70 payments to cover associated private school fees, totaling \$30,309.22. Median spending on private school fees that quarter was \$141.39. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made 323 payments to cover associated private school fees, totaling \$120,663.23. Median spending on private school fees per quarter over the data collection period was \$156.10.

#### Textbooks

Families also utilized the option to pay for textbooks with their ESAs. No expenditures for textbooks were made during the fourth quarter of the 2013–14 school year, likely reflecting the fact that all necessary textbook purchases would have needed to have been made prior to the last quarter of the academic year. However, during the first quarter of the 2014–15 school year, families made 33 payments to purchase required textbooks. Families spent \$3,793.84 on textbooks that quarter, with median expenditures totaling \$100.00. During the second quarter of the 2014–15 school year, families made 10 payments to purchase required textbooks. Families spent \$2,071.84 on textbooks that quarter, with median expenditures totaling \$175.00. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made 44 payments to purchase textbooks, totaling \$5,898.27. Median textbook spending per quarter over the data collection period was \$100.00.

## Educational Therapies

During the fourth quarter of the 2013–14 school year, families made 89 payments for educational therapies, totaling \$122,351.39. Median educational therapy spending that quarter was \$722.00. During the first quarter of the 2014–15 school year, families made 113 payments for educational therapies, totaling \$108,160.26. Median educational therapy spending the first quarter was \$605.48. During the second quarter of the 2014–15 school year, families made 137 payments for educational therapies, totaling \$239,642.11. Median spending for educational therapies that quarter was \$1,108.75. During the third quarter of the 2014–15 school year, families made 140 payments for educational therapies, totaling \$209,607.16. Median spending on educational therapies that quarter was \$1,057.50. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made 479 payments for educational therapies totaling \$679,760.92. Median educational therapy spending per quarter over the data collection period was \$871.92.

private tutors, totaling \$932,560.50. Median spending on tutoring per quarter over the data collection period was \$1,007.50.

## Tutoring

During the fourth quarter of the 2013–14 school year, families made 87 payments to private tutors, totaling \$160,160.60. Median spending on tutoring that quarter was \$1,242.90. During the first quarter of the 2014–15 school year, families made 132 payments to private tutors, totaling \$190,002.93. Median spending on tutoring that quarter was \$684.99. During the second quarter of the 2014–15 school year, families made 137 payments to private tutors, totaling \$226,982.47. Median spending on tutoring that quarter was \$960.00. During the third quarter of the 2014–15 school year, families made 171 payments private tutors, totaling \$355,414.01. Median spending on tutoring that quarter was \$1,445.00. Over the course of the data collection period, from quarter four of the 2013–14 school year through the third quarter of the 2014–15 school year, families made 527 payments to

## Appendix 5: Empowerment Scholarship Account Expenditures by Type from 2013–14, Q4 through 2014–15, Q1–3, Descriptive Statistics

Continued

Quarter		Private School Tuition	Private School Fees	Textbooks Required at Private School	Educational Therapies	Tutoring
Q 4	N	514	17		89	87
	Mean	\$3,182.49	\$407.69		\$1,374.73	\$1,840.92
	Std. Deviation	\$2,222.72	\$195.30		\$1,445.61	\$1,854.21
	Std. Error of Mean	\$99.50	\$50.42		\$153.23	\$198.79
	Median	\$3,031.17	\$545.00		\$722.00	\$1,242.90
	Minimum	\$80.00	\$51.88		\$60.00	\$28.00
	Maximum	\$10,581.53	\$650.00		\$6,543.00	\$7,044.33
	Sum	\$1,588,067.12	\$6,115.39		\$122,351.39	\$160,160.60
Q 1	N	988	172	33	113	132
	Mean	\$2,995.92	\$339.34	\$114.96	\$957.17	\$1,439.41
	Std. Deviation	\$2,183.15	\$586.63	\$161.12	\$1,075.15	\$1,973.33
	Std. Error of Mean	\$69.45	\$44.73	\$28.04	\$101.14	\$171.75
	Median	\$1,417.23	\$174.80	\$100.00	\$605.48	\$684.99
	Minimum	\$120.00	\$10.00	\$3.75	\$25.98	\$15.00
	Maximum	\$9,690.82	\$5,875.00	\$800.00	\$6,171.75	\$9,985.50
	Sum	\$2,959,973.22	\$58,366.68	\$3,793.84	\$108,160.26	\$190,002.93
Q 2	N	956	66	10	137	137
	Mean	\$3,147.89	\$391.99	\$207.18	\$1,749.21	\$1,656.80
	Std. Deviation	\$2,217.56	\$705.67	\$224.22	\$1,607.34	\$1,693.40
	Std. Error of Mean	\$71.72	\$86.86	\$70.90	\$137.32	\$144.67
	Median	\$1,538.34	\$121.10	\$175.00	\$1,108.75	\$960.00
	Minimum	\$100.00	\$6.88	\$13.19	\$75.00	\$50.00
	Maximum	\$10,244.00	\$3,082.00	\$769.88	\$6,030.00	\$7,470.00
	Sum	\$3,009,386.52	\$25,871.94	\$2,071.84	\$239,642.11	\$226,982.47
Q 3	N	932	70		140	171
	Mean	\$3,175.35	\$432.98	\$32.59	\$1,497.19	\$2,078.44
	Std. Deviation	\$2,263.07	\$688.55		\$1,616.38	\$2,008.79
	Std. Error of Mean	\$74.12	\$82.29		\$136.60	\$153.61
	Median	\$1,764.00	\$141.39	\$32.59	\$1,057.50	\$1,445.00
	Minimum	\$60.00	\$10.00	\$32.59	\$30.00	\$62.04
	Maximum	\$10,560.00	\$3,082.00	\$32.59	\$12,064.00	\$9,060.00
	Sum	\$2,959,430.39	\$30,309.22	\$32.59	\$209,607.16	\$355,414.01
Total	N	3375	323	44	479	527
	Mean	\$3,116.10	\$373.57	\$134.05	\$1,419.12	\$1,769.56
	Std. Deviation	\$2,221.42	\$622.93	\$177.78	\$1,494.73	\$1,907.89
	Std. Error of Mean	\$38.23	\$34.66	\$26.80	\$68.29	\$83.10
	Median	\$1,688.25	\$156.10	\$100.00	\$871.92	\$1,007.50
	Minimum	\$60.00	\$6.88	\$3.75	\$25.98	\$15.00
	Maximum	\$10,581.53	\$5,875.00	\$800.00	\$12,064.00	\$9,985.50
	Sum	\$10,516,857.25	\$120,663.23	\$5,898.27	\$679,760.92	\$932,560.01

\*Fields of fewer than 10 are intentionally left blank to preserve anonymity of account holders.

## Curriculum

During the fourth quarter of the 2013–14 school year, families made 57 payments for curriculum, totaling \$57,968.66. Median curriculum spending that quarter was \$568.00. During the first quarter of the 2014–15 school year, families made 176 payments for curriculum, totaling \$133,529.90. Median curriculum spending the first quarter was \$432.14. During the second quarter of the 2014–15 school year, families made 132 payments for curriculum, totaling \$76,487.15. Median spending for curriculum that quarter was \$255.06. During the third quarter of the 2014–15 school year, families made 123 payments for curriculum, totaling \$91,682.73. Median spending on curriculum that quarter was \$290.04. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made 488 payments for curriculum, totaling \$359,668.44. Median curriculum spending per quarter over the data collection period was \$364.69.

## Online Learning

During the fourth quarter of the 2013–14 school year, families made 13 payments to finance online learning, totaling \$10,277.21. Median online learning spending that quarter was \$216.00. During the first quarter of the 2014–15 school year, families made 50 payments to finance online learning, totaling \$24,529.81. Median online learning spending the first quarter was \$108.95. During the second quarter of the 2014–15 school year, families made 23 payments to finance online learning, totaling \$8,045.92. Median online learning spending that quarter was \$246.00. During the third quarter of the 2014–15 school year, families made 17 payments to finance online learning, totaling \$4,916.52. Median online learning spending that quarter was \$177.00. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made 103 payments to finance online learning, totaling \$47,769.46. Median online learning spending per quarter over the data collection period was \$134.85.

## Nationally Standardized Tests

Although it is not required, in Arizona, families may use their ESAs to pay for their children to take a nationally norm-referenced test, such as the Iowa Test of Basic Skills. During the fourth quarter of the 2013–14 school year, families made payments for nationally standardized tests totaling \$212.00. Median spending on nationally standardized tests that quarter was \$51.00. During the first quarter of the 2014–15 school year, payments to cover the cost of a nationally standardized test totaled \$295.00. During the second quarter of the 2014–15 school year, payments for nationally standardized tests totaled \$78.00. Median spending on nationally standardized tests that quarter was \$39.00. During the third quarter of the 2014–15 school year, payments to cover the cost of a nationally standardized test totaled \$55.00. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made \$640.00 in payments to cover the cost of nationally standardized tests. Median spending on nationally standardized tests per quarter over the data collection period was \$55.00.

## College Placement Tests

As with nationally standardized tests, in Arizona, families may use their ESAs to pay for their children to take college placement tests, such as the SAT or ACT. During the fourth quarter of the 2013–14 school year, families made no payments for nationally standardized tests, likely reflecting the fact that students would have already paid for and taken college placement tests before the end of the academic year. However, over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made \$252.75 worth of payments to cover the cost of college placement tests. Median spending on college placement tests per quarter over the data collection period was \$52.50.

## 530 Coverdell College Savings Plans

Coverdell college savings plans are tax-preferenced college savings accounts that parents can use to save for a child's college education. Parents contribute their own funds into the account, but any interest that accrues does so tax-free, as long as funds are put toward K–12 education expenditures. During the fourth quarter of the 2013–14 school year, families made 10 distributions to college savings plans, totaling \$24,958.08. Median distributions to college savings plans that quarter were \$2,000.00. During the first quarter of the 2014–15 school year, families made \$4,338.45 worth of distributions to college savings plans. Median distributions to college savings plans the first quarter were \$1,136.16. During the second quarter of the 2014–15 school year, families made \$8,285.00 worth of distributions to college savings plans. Median distributions to college savings plans that quarter were \$1,750.00. During the third quarter of the 2014–15 school year, families made 17 distributions to college savings plans, totaling \$29,650.00. Median distributions to college savings plans that quarter were \$2,000.00. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made 37 distributions to college savings plans, totaling \$67,231.53. Median distributions to college savings accounts per quarter over the data collection period were \$2,000.00. The overall median distribution and number of payments suggest two phenomena: that parents are investing as much of their ESA funding in their child's college savings as is allowed under law (hitting the \$2,000 annual cap), and that, as the school year progresses and parents have a better understanding of how much will remain in their ESAs toward the end of the year, they are more likely to fund their Coverdell accounts and to distribute up to the maximum allowable contribution.

## Appendix 5: Empowerment Scholarship Account Expenditures by Type from 2013–14, Q4 through 2014–15, Q1–3, Descriptive Statistics

Continued

Quarter		Curriculum	Online Learning	Nationally Standardized Test	College Placement Tests	530 Coverdell
Q 4	N	57	13			10
	Mean	\$1,016.99	\$790.55	\$70.66		\$2,495.80
	Std. Deviation	\$1,562.89	\$1,413.39	\$58.05		\$852.40
	Std. Error of Mean	\$207.01	\$392.00	\$33.51		\$269.55
	Median	\$568.00	\$216.00	\$51.00		\$2,000.00
	Minimum	\$5.80	\$59.85	\$25.00		\$1,959.08
	Maximum	\$9,001.84	\$4,502.62	\$136.00		\$4,000.00
	Sum	\$57,968.66	\$10,277.21	\$212.00		\$24,958.08
Q 1	N	176	50			
	Mean	\$758.69	\$490.59	\$295.00	\$52.50	\$1,084.61
	Std. Deviation	\$925.18	\$1,019.98			\$232.53
	Std. Error of Mean	\$69.73	\$144.24			\$116.26
	Median	\$432.14	\$108.95	\$295.00	\$52.50	\$1,136.16
	Minimum	\$9.91	\$18.68	\$295.00	\$52.50	\$793.79
	Maximum	\$6,098.23	\$4,947.03	\$295.00	\$52.50	\$1,272.33
	Sum	\$133,529.90	\$24,529.81	\$295.00	\$52.50	\$4,338.45
Q 2	N	132	23			
	Mean	\$579.44	\$349.82	\$39.00	\$158.00	\$1,380.83
	Std. Deviation	\$869.33	\$357.38	\$38.18		\$792.59
	Std. Error of Mean	\$75.66	\$74.51	\$27.00		\$323.57
	Median	\$255.06	\$246.00	\$39.00	\$158.00	\$1,750.00
	Minimum	\$12.08	\$19.95	\$12.00	\$158.00	\$285.00
	Maximum	\$4,992.94	\$1,144.30	\$66.00	\$158.00	\$2,000.00
	Sum	\$76,487.15	\$8,045.92	\$78.00	\$158.00	\$8,285.00
Q 3	N	123	17			17
	Mean	\$745.38	\$289.20	\$55.00	\$42.25	\$1,744.11
	Std. Deviation	\$1,063.66	\$287.14			\$481.49
	Std. Error of Mean	\$95.90	\$69.64			\$116.77
	Median	\$290.04	\$177.00	\$55.00	\$42.25	\$2,000.00
	Minimum	\$7.40	\$57.00	\$55.00	\$42.25	\$650.00
	Maximum	\$5,388.65	\$825.00	\$55.00	\$42.25	\$2,000.00
	Su	\$91,682.73	\$4,916.52	\$55.00	\$42.25	\$29,650.00
Total	N	488	103			37
	Mean	\$737.02	\$463.78	\$91.42	\$84.25	\$1,817.06
	Std. Deviation	\$1,044.63	\$892.89	\$98.11	\$64.07	\$773.46
	Std. Error of Mean	\$47.28	\$87.97	\$37.08	\$36.99	\$127.15
	Median	\$364.69	\$134.85	\$55.00	\$52.50	\$2,000.00
	Minimum	\$5.80	\$18.68	\$12.00	\$42.25	\$285.00
	Maximum	\$9,001.84	\$4,947.03	\$295.00	\$158.00	\$4,000.00
	Sum	\$359,668.44	\$47,769.46	\$640.00	\$252.75	\$67,231.53

\*Fields of fewer than 10 are intentionally left blank to preserve anonymity of account holders.

## College Tuition

One of the most attractive features of Arizona’s ESA option is the ability for parents to use their accounts to pay for college tuition. Although the number of total payments and overall amount of ESAs funds going toward college tuition is currently low, that likely reflects the fact that the program is still in its early years, and many participants have not yet reached college age. During the fourth quarter of the 2013–14 school year, families made \$14,353.83 in payments toward college tuition. Median spending on college tuition that quarter was \$277.00. During the first quarter of the 2014–15 school year, families made \$2,718.00 in payments to defray the cost of college tuition. Median spending on college tuition that quarter was \$556.00. During the second quarter of the 2014–15 school year, families made \$3,619.00 in payments to defray the cost of college tuition. Median spending on college tuition that quarter was \$302.50. During the third quarter of the 2014–15 school year, 10 families made payments to defray the cost of a college tuition, totaling \$6,384.70. Median spending on college tuition that quarter was \$660.00. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made 30 payments to defray the cost of college tuition, totaling \$27,075.53. Median spending on college tuition per quarter over the data collection period was \$370.00.

## College Fees

*(Includes miscellaneous fees colleges assess to cover the cost of providing computer labs or student access to guidance counseling, for example.)*

During the fourth quarter of the 2013–14 school year, families made \$513.50 worth of payments toward college fees. Median spending on college fees that quarter was \$79.34. During the first quarter of the 2014–15 school year, families made \$734.31 in payments toward college fees. Median spending on college fees that quarter was \$22.15. During the second

quarter of the 2014–15 school year, families made \$381.22 in payments toward college fees. Median spending on college fees that quarter was \$87.93. During the third quarter of the 2014–15 school year, families made \$3,921.78 in payments toward college fees. Median spending on college fees that quarter was \$415.32. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made 17 payments on college fees, totaling \$5,550.81. Median spending on college fees per quarter over the data collection period was \$87.93.

## Required College Textbooks

During the fourth quarter of the 2013–14 school year, ESA payments to purchase college textbooks totaled \$190.64. During the first quarter of the 2014–15 school year, ESA payments for college textbooks totaled \$364.69. Median spending on college textbooks that quarter was \$145.07. During the second quarter of the 2014–15 school year, no purchases were made for college textbooks. During the third quarter of the 2014–15 school year, ESA payments for college textbooks totaled \$856.59. Median spending on college textbooks that quarter was \$231.66. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families spent \$1,411.92 from their ESAs on college textbooks. Median spending on college textbooks per quarter over the data collection period was \$155.11.

## Bank Account Fees

During the fourth quarter of the 2013–14 school year, families made \$20.52 worth of payments from their ESAs to cover bank account fees. Median spending on bank account fees that quarter totaled \$5.00. During the first quarter of the 2014–15 school year, families made 23 payments from their ESAs to cover bank account fees, totaling \$260.00. Median spending on bank account fees that quarter was \$5.00. During the second quarter of the 2014–15 school year, families



made 11 payments from their ESAs to cover bank account fees, totaling \$95.00. Median spending on bank account fees that quarter totaled \$5.00. During the third quarter of the 2014–15 school year, families made 11 payments from their ESAs to cover bank account fees, totaling \$55.00. Median spending on bank account fees that quarter was \$5.00. Over the course of the data collection period, from quarter four of the 2013–14 school year through the end of the third quarter of the 2014–15 school year, families made 48 payments from their ESAs on bank account fees, totaling \$430.52. Median spending on bank account fees per quarter over the data collection period was \$5.00.

## Appendix 5: Empowerment Scholarship Account Expenditures by Type from 2013–14, Q4 through 2014–15, Q1–3, Descriptive Statistics

Continued

Quarter		College Tuition	College Fees	Required Textbooks at Postsecondary Institution	Bank Fees for Account
Q 4	N				
	Mean	\$2,050.54	\$128.37	\$190.64	\$6.84
	Std. Deviation	\$4,035.98	\$152.80		\$7.41
	Std. Error of Mean	\$1,525.45	\$76.40		\$4.28
	Median	\$277.00	\$79.34	\$190.64	\$5.00
	Minimum	\$163.00	\$4.81	\$190.64	\$.52
	Maximum	\$11,059.83	\$350.00	\$190.64	\$15.00
	Sum	\$14,353.83	\$513.50	\$190.64	\$20.52
Q 1	N				23
	Mean	\$543.60	\$122.38	\$121.56	\$11.30
	Std. Deviation	\$252.99	\$160.85	\$49.66	\$7.41
	Std. Error of Mean	\$113.14	\$65.67	\$28.67	\$1.54
	Median	\$556.00	\$22.15	\$145.07	\$5.00
	Minimum	\$252.00	\$15.00	\$64.51	\$5.00
	Maximum	\$855.00	\$330.00	\$155.11	\$20.00
	Sum	\$2,718.00	\$734.31	\$364.69	\$260.00
Q 2	N				11
	Mean	\$452.37	\$127.07		\$8.63
	Std. Deviation	\$409.60	\$135.93		\$6.36
	Std. Error of Mean	\$144.81	\$78.48		\$1.91
	Median	\$302.50	\$87.93		\$5.00
	Minimum	\$252.00	\$15.00		\$5.00
	Maximum	\$1,453.00	\$278.29		\$20.00
	Sum	\$3,619.00	\$381.22		\$95.00
Q 3	N	10			11
	Mean	\$638.47	\$980.44	\$285.53	\$5.00
	Std. Deviation	\$388.19	\$1,380.56	\$310.98	\$.00
	Std. Error of Mean	\$122.75	\$690.28	\$179.54	\$.00
	Median	\$660.00	\$415.32	\$231.66	\$5.00
	Minimum	\$75.00	\$60.00	\$5.00	\$5.00
	Maximum	\$1,220.00	\$3,031.13	\$619.93	\$5.00
	Sum	\$6,384.70	\$3,921.78	\$856.59	\$55.00
Total	N	30	17		48
	Mean	\$902.51	\$326.51	\$201.70	\$8.96
	Std. Deviation	\$1,971.43	\$715.50	\$199.51	\$6.58
	Std. Error of Mean	\$359.93	\$173.53	\$75.40	\$.95
	Median	\$370.00	\$87.93	\$155.11	\$5.00
	Minimum	\$75.00	\$4.81	\$5.00	\$.52
	Maximum	\$11,059.83	\$3,031.13	\$619.93	\$20.00
	Sum	\$27,075.53	\$5,550.81	\$1,411.92	\$430.52

\*Fields of fewer than 10 are intentionally left blank to preserve anonymity of account holders.

## Appendix 6:

### Education Savings Accounts Around the Country

Today, lawmakers in five states have enacted education savings accounts, each modeled after Arizona's law. However, each state's account-style educational choice options have unique provisions:

#### Florida

In June 2014, Florida Gov. Rick Scott signed into law a Personal Learning Scholarship Accounts (PLSA) program, creating in the Sunshine State education savings accounts for special-needs children who meet the eligibility criteria (the accounts are now called "Gardiner Scholarships").<sup>45</sup> Approximately 1,800 Florida students used the accounts in the 2014–15 school year. For the program's inaugural year, lawmakers appropriated \$18.4 million for the accounts; in 2016, lawmakers increased the appropriation to \$71.2 million.<sup>46</sup> The accounts have proved popular with Florida families. As of December 2015, Step Up for Students, the state's largest PLSA administrator, had already awarded more than 3,980 accounts for the 2015–16 school year.<sup>47</sup>

Eligible students include children aged 3 through seniors in high school with autism, cerebral palsy, Down syndrome, Prader-Willi syndrome, intellectual disabilities, spina bifida, and Williams syndrome. In 2015, lawmakers expanded eligibility to include students with muscular dystrophy and children on any part of the autism spectrum.<sup>48</sup> Students remain eligible to stay in the program until they graduate high school, or reach 22 years of age, whichever comes first.

In Arizona, families report their expenditures to the Arizona Department of Education. In Florida, families report to the state's two organizations that operate a separate private school scholarship program that uses charitable contributions from businesses.<sup>49</sup>

Step Up for Students and AAA Scholarship Foundation maintain the accounts for the state of Florida. Parents

using a PLSA must complete an expense form with their scholarship organization (the organization to whom the family applied for a PLSA) prior to making a purchase using their child's account. Once an expense has been approved, parents purchase educational products or services and the scholarship organization (Step Up for Students or AAA) reimburses parents from their child's PLSA.<sup>50</sup>

The Florida Department of Education must maintain a public list of eligible private schools and tutoring programs. The agency compares the list of students using a PLSA with public school enrollment lists prior to funding distribution to avoid making duplicate payments.

State statute also requires that the Florida Auditor General conduct an annual audit of finances and operations of the Personal Learning Scholarship Accounts, verifying the total amount of participating students, among other requirements.<sup>51</sup>

#### Mississippi

Mississippi lawmakers enacted an education savings account pilot program in 2015.<sup>52</sup> The program is capped at 500 participants, and as of August 2015, the Mississippi Department of Education had awarded 235 accounts.<sup>53</sup>

Students eligible for Mississippi's accounts are students with an updated IEP. Parents and teachers of students with special needs write these plans to make sure children with unique needs receive the educational and therapy services that are in their best interests. Similar to Florida's PLSA, parents and students using an account must apply to a state agency before they expend any savings account funds.

## Tennessee

In Tennessee, students with select special needs are eligible to apply for an account.<sup>54</sup> The list of eligible Tennessee students is similar to the list of eligible students in Florida:

- Children on the autism spectrum;
- Children with hearing or vision impairments;
- Students with additional learning needs (also called “Intellectual disabilities”);
- Children with orthopedic impairments; and
- Students that have suffered a traumatic brain injury.<sup>55</sup>

Tennessee will begin awarding education savings accounts in 2017.<sup>56</sup>

## Nevada

Nevada lawmakers enacted the first education savings account law that allows every child who had attended a public school for at least 100 days in the prior year, any students of active-duty military members, and any student under 7 years old to apply.<sup>57</sup> At least 470,000 students are now eligible for an ESA.<sup>58</sup> Nevada’s treasurer will be responsible for implementing the accounts, and as of September 2015, the treasurer’s office received more than 2,800 applications for education savings accounts.<sup>59</sup>



## Appendix 7: Comparing Education Savings Accounts Around the Country

State	Eligibility	Students required to attend a public school prior to using an account	Funding
Arizona (ARS 15- 2401 to 2404)	<ul style="list-style-type: none"> <li>• Children with special needs</li> <li>• Children from failing schools</li> <li>• Children in active-duty military families</li> <li>• Adopted children</li> <li>• Incoming kindergarten students</li> <li>• Siblings of existing account holders</li> <li>• Preschool children with special needs</li> <li>• Children living on Native American reservations</li> <li>• A child using a scholarship under the state's tax credit scholarship law for children with special needs ("Lexie's Law")</li> </ul>	Yes (except incoming kindergarten students, preschool students with special needs, and children of military members killed in action)	90 percent of the state portion of the school funding formula for each student, plus additional assistance (approximately \$1500) Students with special needs receive additional funding based on the state's weighted school funding formula (an average of \$13,000-\$15,000)
Florida (Chapter 2014-184)	<ul style="list-style-type: none"> <li>• Children with specific special needs diagnoses</li> <li>• Based on state appropriations, approximately 5,000 students will be served in the 2015–16 school year.</li> </ul>	No	<ul style="list-style-type: none"> <li>• Approximately \$10,000 per student</li> <li>• The legislature must appropriate funds each year. For 2016, the state appropriated \$53.4 million.</li> </ul>
Mississippi (SB 2695 as sent to the governor)	<ul style="list-style-type: none"> <li>• Children with an active Individualized Education Plan (IEP)</li> </ul>	Yes	\$6,500
Tennessee (SB 27)	<ul style="list-style-type: none"> <li>• Children with specific special needs diagnoses</li> </ul>	Yes	\$6,628
Nevada (SB 302 as enrolled)	<ul style="list-style-type: none"> <li>• All public school students</li> </ul>	Yes (except students under 7 years old and children of active-duty military members)	90 percent of the average basic support per student (100 percent for low-income student) Average accounts are estimated to be \$5,100 to \$5,700

Source: Jonathan Butcher, Goldwater Institute brief, 2015

Academic Transparency	Program Administration	Allowable Uses	
No requirements	Arizona Department of Education	<ul style="list-style-type: none"> <li>• Private school tuition</li> <li>• Textbooks</li> <li>• Educational therapies</li> <li>• Tutoring</li> <li>• Curriculum</li> <li>• Online classes</li> <li>• Standardized test fees or AP test fees</li> <li>• Contributions to a Coverdell education savings account</li> <li>• College tuition</li> </ul>	<ul style="list-style-type: none"> <li>• College textbooks</li> <li>• Fees for management of the Empowerment Scholarship Account by firms selected by the treasurer.</li> <li>• Public school services</li> <li>• Insurance or surety bond payments as required by the department of education</li> </ul>
Students must take a nationally norm referenced test	Step Up for Students and AAA Scholarship Foundation	<ul style="list-style-type: none"> <li>• Instructional materials, including digital devices</li> <li>• Curriculum</li> <li>• Special education therapy</li> <li>• Private school tuition</li> <li>• College tuition</li> </ul>	<ul style="list-style-type: none"> <li>• Online courses</li> <li>• Standardized test fees</li> <li>• Prepaid college tuition plans</li> <li>• Public school services</li> </ul>
No requirements	Mississippi Department of Education	<ul style="list-style-type: none"> <li>• Private school tuition</li> <li>• Textbooks</li> <li>• Personal tutors</li> <li>• Curriculum</li> <li>• Transportation costs</li> <li>• Online classes</li> <li>• Standardized test fees</li> <li>• Education therapy</li> </ul>	<ul style="list-style-type: none"> <li>• Public school classes and extracurricular activities</li> <li>• College tuition</li> <li>• College textbooks</li> <li>• Surety bond payments</li> <li>• Consumable materials (limited to \$50)</li> <li>• Computer hardware and software</li> </ul>
Students must take a nationally norm referenced test	Tennessee Department of Education	<ul style="list-style-type: none"> <li>• Private school tuition</li> <li>• Textbooks</li> <li>• Personal tutors</li> <li>• Curriculum</li> <li>• Transportation</li> <li>• Online classes</li> </ul>	<ul style="list-style-type: none"> <li>• Standardized test fees</li> <li>• Coverdell college savings plans</li> <li>• Educational therapy</li> <li>• Public school classes and extracurricular programs</li> <li>• College tuition</li> <li>• College textbooks</li> </ul>
Students must take a nationally norm referenced test	Nevada Treasurer	<ul style="list-style-type: none"> <li>• Private school tuition</li> <li>• Textbooks</li> <li>• Personal tutors</li> <li>• Distance education programs</li> <li>• Standardized test fees</li> </ul>	<ul style="list-style-type: none"> <li>• Transportation (\$750 per year)</li> <li>• Curriculum</li> <li>• College tuition</li> <li>• College textbooks</li> </ul>

## Notes

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## About the Authors



Jonathan Butcher serves as education director for the Goldwater Institute. He has researched and testified on education policy and school choice programs around the United States. His work has appeared in journals, such as *Education Next* and the *Georgetown Journal of Law and Public Policy*, and he has appeared on local and national television broadcast outlets, including C-SPAN and Fox News. He has also been a guest on many radio programs, and his commentary has appeared nationally in places such as *RealClearPolicy.com*, *National Journal*, and *Townhall.com*, along with newspapers around the country.

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The authors welcome any and all questions related to methods and findings.

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