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ESA'S IN ARIZONA

Q3 2025 REPORT

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ABOUT THE AUTHOR



Glenn Farley is CSI Arizona's Director of Policy & Research. Before joining CSI in 2022, Glenn worked in the Office of the Arizona Governor, most recently as Gov. Doug Ducey's Chief Economist and a policy advisor. In that role he advised on issues of tax, fiscal, and regulatory policy, and was one of the Governor's lead architects of his two major tax reforms – including the 2021 income tax omnibus which phased in a 2.50% flat tax (the lowest in the country). Glenn also led the budget team that produced the Executive revenue forecasts and caseload spending numbers that have helped ensure the longest run of structurally balanced budgets in State history. Glenn has a Master's Degree in Economics from Arizona State University's WP Carey College of Business, as well as a B.S. from Arizona State University. He was born and raised in Arizona where he now lives with his wife and two daughters.

ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Arizona's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Arizonans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Arizonans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modelling to evaluate the potential impact of these measures on the Arizona economy and individual opportunity.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Americans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

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INTRODUCTION

Since universal eligibility in 2022, Arizona's Empowerment Scholarship Account (ESA) program has seen rapid growth. A lack of reliable and consistent data about who is using the program and how is contributing to public uncertainty. Applying scrutiny to hundreds of thousands of individual transactions on an almost real-time basis has made the program vulnerable to exaggeration, misinformation, and mischaracterization. No comparable program is subject to this kind of examination.

Subject to the available data, this regular report is intended to provide ongoing and data-based answers to some recurring questions that policymakers and the public have been asking, like:

- How many people are using the ESA program, how much bigger will it grow?
- What is that going to cost?
- What do these new ESA users look like, in terms of their demographic characteristics?
- And is the program being well-run and managed in the public interest?

This is our third release of that report, with the latest data available from the U.S. Census Bureau, the Arizona Department of Education, and other sources.

KEY FINDINGS

- Participation is near its ceiling and growth now comes mostly from “switchers.”**
 ESA enrollment is 92,362 as of Sept. 15, 2025 (up from 77,496 a year ago). Although CSI projects that it will reach 103,000 this fiscal year, that growth is increasingly coming from other publicly-funded programs; ADE’s latest reported switcher rate is now 57%, STO scholarships are falling, and District Kindergarten classes are getting smaller.
- ESA costs will probably reach \$1 billion this year, but only about \$567 million of that is attributable to Universal ESA eligibility.** Other ESA populations – particularly students with disabilities – are a substantial share of total expenditures. Combined basic state formula costs for all public K-12 programs in Arizona are on track to be about \$10.3 billion; District school enrollment will be lower than expected, and ESA enrollment higher than expected. Charter enrollment growth is slowing as well, and the STO program is issuing fewer scholarships.
- Savings from reduced enrollment in other programs are on pace to reach \$800 million this year.** Since the pandemic, Charter enrollment growth has slowed, and Districts enrollment has fallen by 50,000 students. STO scholarships have fallen by 20% since their pre-Universal ESA peak. Arizona’s formula-based K-12 funding regime effectively funds all students, regardless of their enrollment choices, and focusing on expenditures on just one facet of this system can overlook larger trends elsewhere.
- Most ESA households continue to come from middle-income Arizona households.**
 Nearly 57% of ESA recipients live in ZIP Codes with a median family income of between \$75,000 and \$150,000 – up slightly since our last report. A quarter of ESA users may be lower-income, 13% reside in rural areas, and nearly 20% are estimated to be nonwhite.
- ESA administration is faster and more efficient but not perfect.** Changes to the pre-approval process early in 2025 have allowed ESA expenditure rates to reach all-time highs (about 88% of awards are being spent, from as low as 63% previously).

HOW MUCH LARGER WILL THE PROGRAM GROW?

As of September 15, 2025, **92,362** students were enrolled in Arizona's ESA program. This represents effectively full participation – we estimate that there are between 86,429 and 96,524 students eligible for an ESA currently in Arizona. Going forward, program growth must come from either new student growth or students “switching” between other publicly-funded options (STO, District, or Charter enrollment).

According to the U.S. Census Bureau, Arizona's school-aged population peaked in 2021 at 1,212,029; today there are 1,191,788 five to seventeen year olds (a decline of 20,241 potential students). On the other hand, this cohort grew last year for the first time since 2022. There were 2,851 more potential K-12 students in 2024 than 2023. According to the Department of Education (ADE), **over half of students newly-enrolling in the ESA program today previously attended public school¹, and District school enrollment declined by 13,337 students during the 2024-2025 school year.**

Assuming K-12 population growth remains effectively flat during the 2025-2026 school year, and District enrollment continues to decline at post-pandemic trend rates, **ESA enrollment is expected to reach between 98,000 and 108,000 students by June 2026.** CSI's baseline scenario accounts for slight growth in the Charter system and no net growth in the STO system.

As a reminder, the state is facing a combination of demographic and preference shifts since 2020 that are driving K-12 enrollment trends. Specifically, for the first time ever recorded by the American Community Survey, the state's school-aged population is shrinking. At the same time, fewer of the remaining students are choosing to attend District public schools. CSI has estimated that about 60% of new kindergarten-eligible children in Arizona are today enrolling in a District public school, versus 80% historically. This may be too conservative. For example, even though population grew slightly last year, District enrollment continued falling. On the other



ESA Program Size & Universe

92,362

Current ESA Enrollment
(September 2025)

77,496

ESA Enrollment 1-Year Ago
(September 2024)

102,800

Estimated ESA Enrollment
(End of 2025-2026
School Year)

57%

Current ADE-Reported ESA
“Switcher” Rate
(2025 Q2)

hand, ESA enrollment increased by a net 9,500 students during 2024-2025; based on ADE's reported "switching" rates, 5,415 of those students likely came from a District school (composing almost half of the 12,000-student reported enrollment decline).

Also note, today in Arizona all K-12 students have at least one option for public funding. Arizona provides formula funding for District, Charter, and private/home-school families through its per-pupil equalization formula. Private school students have effectively two options: formula funding through the Empowerment Scholarship Account program, or semi-private scholarships through School Tuition Organizations tied to no formulas but effectively state-supported by dollar-for-dollar tax credits.

In FY 2024, STO's gave 61,742 scholarships to students attending private schools. The average scholarship was reported to be \$3,162.ⁱⁱ Because students can receive multiple scholarships and STO's are not required to report unique student counts (only the number of scholarships)ⁱ, CSI estimates that participating students receive an average of between 2.4 and 3.9 scholarships, or the equivalent of up to \$12,500. Given this assumption and based on historic growth rates in the scholarships given, CSI estimates the STO population is between 15,630 and 25,730 students and are ESA ineligible. STO scholarships (and unique student participation) has been falling since universal eligibility – consistent with students switching from this program to the ESA program while average scholarship awards have been rising. Today, the STO program receives \$238.4 million in tax-credit-eligible donations – a decline of \$33.4 million (12.3%) from its 2021 peak. Scholarships issued, though, has fallen 37% from peak.

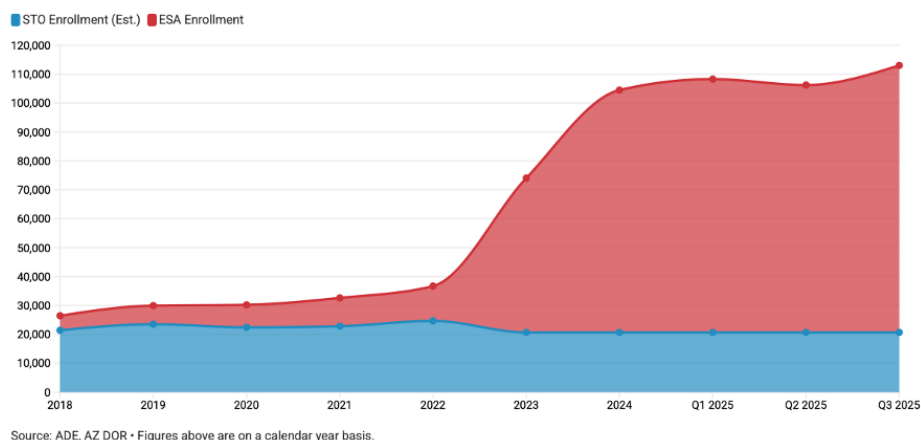
In summary, CSI estimates that there are 112,155 school-aged children in Arizona who were not attending a public school full-time, and therefore eligible for an ESA. Of those, 92,362 were enrolled in the ESA program (as of September 15th, 2025). After accounting for uncertain STO utilization, **the ESA program is now for all intents and purposes fully subscribed, subject to new growth and "switchers"**.

Additional growth must come from "switchers", who previously attended public school or previously used an STO scholarship. Assuming the school-aged population in Arizona will be effectively flat over the next year, CSI estimates the ESA program will grow to roughly 102,800 participants by June 2026, while District public school enrollment will fall another 11,400 students (-1.35%) this school year.

FIGURE 1

ESA and STO growth since 2018

By the end of the 2025-2026 school year, CSI estimates that the ESA program will enroll approximately 103,000 students.



ⁱThe Department of Revenue did (newly) report the number of students awarded scholarships by organization in Fiscal Year 2024 (45,233), but these are not "unique" students; given the numbers and the data, CSI believes it likely that this number is substantially overstated.

HOW MUCH WILL THE ESA PROGRAM COST THIS YEAR?

The FY 2026 enacted budget appropriated² \$10.32 billion for K-12 “Basic State Aid” formula funding.ⁱⁱⁱ This funding is allocated to all District and Charter schools and ESA students based on a per-pupil formula and comprises about two-thirds of all state and local public education funding in Arizona.

The FY26 Basic State Aid appropriation was expected to fund 97,905 ESA enrolled students, 844,368 District enrolled students, and 224,536 Charter enrolled students. These enrollment estimates were produced in August 2025 by JLBC. In recent years, enrollment has been particularly difficult to predict due to changes in educational preferences and demographic declines leading to falling enrollments – particularly in District public schools.

As of September 2025, CSI estimates actual Base State Aid formula costs will be approximately \$35.2 million *above* the appropriation.

Empowerment Scholarship Accounts. \$1,001.7 million was specifically appropriated for an estimated 97,905 ESA students. Funded enrollment as of September 15, 2025 was reported to be 92,362 students, and in the 2025 Quarter 4 Annual Report the average ESA award amount was \$10,349. CSI estimates that over the remainder of the fiscal year, ESA enrollment will grow to 102,800 students, and average awards will not change. Based on these figures, **CSI estimates the actual cost of the ESA program in FY 2026 will be \$1,036.9 million.**

Historically, ESA enrollment grows fastest during the August and September back-to-school periods (the first quarter of the Fiscal Year and 3rd quarter of the Calendar Year). Growth slows in winter, and program enrollment typically declines over the summer.



Arizona FY25 K-12 Formula Costs

+4,895 (+5.0%)

Actual vs. Projected ESA Enrollment (FY 2026)

\$1.04B

Est. ESA Formula Costs (FY 2026)

\$567.4M

Est. Universal-eligibility Costs (FY 2026)

\$10.35B

Est. K-12 Formula Costs (FY 2026)

² Technically, only \$7.28 billion of this total was “appropriated”; \$2.6 billion in expected property tax contributions are legally accounted for in the K-12 budget but not annually appropriated by the Legislature.

For context, during the period between September 15th, 2024 and June 30th, 2025 ESA enrollment grew 10.4%. An equivalent growth rate this year would see program enrollment reach 102,400 student by fiscal year end. CSI's baseline estimate is informed by this fact, but derived directly from estimated population, District, Charter and STO enrollment growth figures. Notably, ESA awards are paid quarterly, and contracts signed after the first quarter of the fiscal year will not receive a full annual distribution during that year. For simplicity, CSI assumes that all ESA growth after September 15th, 2025 will receive three-fourths of an annual average ESA award.

The total expected supplemental need for the ESA program this year (relative to its appropriation) is \$35.1 million. The FY2026 adopted budget estimated the program would fund 97,905 students at an average award amount of \$10,232 this fiscal year. CSI assumes the program will fund 102,800 students at an average (annual) award amount of \$10,349 this fiscal year.

Additionally, while the total cost of the program has increased substantially since 2022 and creation of the Universal-eligibility enrollment category, other qualifying populations have continued to see growth. For school year 2022 (the last year prior to Universal eligibility), there were 12,127 students in the ESA program receiving an average annual award of \$15,566.

For the school year beginning in 2025, there were approximately 23,000 students enrolled in these same categories (+89%). Assuming this population would today receive an average annual ESA award of approximately \$17,887, this group is receiving over \$469 million of approximately \$1.06 billion in total annual awards. Succinctly: Universal-eligibility contributes \$567 million (53%) to the total costs of the ESA program, despite enrolling three-fourths of all students.

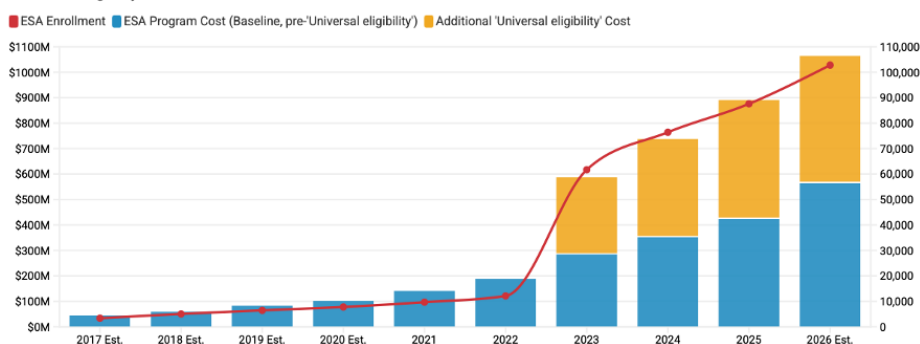
District Public Schools. Approximately \$7.2 billion was specifically appropriated for an estimated 844,370 District students. This was the lowest projected District enrollment figure in at least the last 20 years. As of this report, the latest available official enrollment figures from the Department of Education only extend through the 2024-25 school year.^{iv} However, based on the final reported figures for the prior school year, recent enrollment trends, and expected population growth, CSI estimates that District school enrollment during the 2025-26 school year will be 837,279 student – approximately 7,000 students below the budgeted amount and a decline of 11,432 (-1.35%) students from the prior school year.

District public schools are awarded formula funding based on “100 day counts”, which will be tabulated in October. However, there is both a significant lag and revision to these figures which can affect these estimates over a fiscal year.

FIGURE 2

ESA Program Participation & Cost Growth

While the ESA program resumed growing during the back-to-school period, cost growth is coming from both universal- and legacy-eligibility categories almost equally. Today, CSI estimates a little over half (53%) of ESA costs are attributable to Universal-eligibility.



Source: JIBC FY2026 Baseline Book, ADE Quarterly ESA Reporting • ESA per-pupil award amounts are reported by ADE for FY21-FY24 and estimated for earlier (and later) periods. CSI inputs Universal and Baseline ESA costs based on ADE-reported enrollment by category and inflated pre-2023 ESA award amounts. Figures reported on a Fiscal Year basis.

The anticipated enrollment decline creates an expected General Fund *savings* of \$60.4 million by the end of FY 2026, relative to the appropriation amount in the recently enacted budget. This assumes an effective per-pupil average formula funding amount of \$8,524. Because of the nature of the funding formula, a reasonable assumption is that approximately all of these savings will accrue to the state General Fund.

Charter Public Schools. Approximately \$2.11 billion was specifically appropriated for an estimated 224,536 Charter school students. As of this report, the latest available official enrollment figures from the Department of Education only extend through the 2024-25 school year. However, based on the final reported figures for the prior school year, recent enrollment trends, and expected population growth, CSI estimates that Charter school enrollment during the 2025-26 school year will be 230,964 students – approximately 6,500 students *above* the budgeted amount but an increase of just 42 students from the prior school year (as reported by ADE).

FIGURE 3

State FY26 K-12 Education Budget vs. Actual Need

Based on its review of the most current enrollment data available from ADE, CSI estimates that their may be a supplemental need at ADE of at least \$35.2 million this year.

FY 2026	Budgeted Amount	CSI Expected Actual Cost	Over appropriation/(Under appropriation)
ESA	\$1,001,720,000	\$1,036,871,485	\$35,151,485
District	\$7,197,151,500	\$7,136,726,890	(\$60,424,610)
Charter	\$2,113,838,900	\$2,174,353,724	\$60,514,824
Total Costs	\$10,312,710,400	\$10,347,952,098	\$35,241,698

Source: JLBC, Arizona Dept. of Education

This creates \$60.5 million in cost relative to the amount appropriated this year, which is almost entirely offset by a smaller-than-expected need in the District school system. While Charter students on average receive less in total per pupil funding than their District peers, they (like ESA recipients) are relatively more dependent on the State General Fund than District students and on state Equalization Formula funding than their District peers.

Historically, Arizona's Charter school population has grown quickly. These growth rates represent a marked departure from historic norms; negative actual enrollment growth is a possibility and would at least partly offset the additional expected ESA cost.

Overall, the total cost of Basic State Aid to District, Charter, and ESA students is likely to exceed \$10.3 billion this year. Ade faces a likely deficit of \$35.2 million in formula costs for the Fiscal Year ending on June 30, 2025. Of that total amount, \$1.04 billion is attributable to the ESA program (\$35 million more than budgeted).

Long-Term State K-12 Budget Implications of ESA

Since Universal-eligibility, ESA participation (and budgeted costs) have grown rapidly. This growth coincided with other rapid spending growth in the state budget, and an unrelated reversion of revenue growth to long-term averages, which necessitated a budget correction two years ago. Potentially lost in this discussion was larger consideration of an issue CSI has been calling attention to for some time now:

demographic change and preference shifts among the state's school-aged children driving long-term declines in traditional public school enrollment.

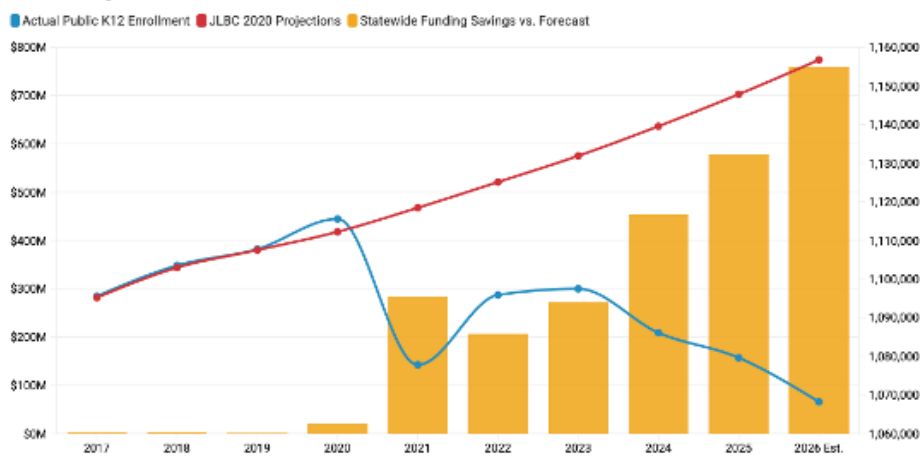
Public school enrollment in Arizona peaked during the 2019-2020 school year. Today, there are about 50,000 fewer students enrolled in public schools than before the pandemic; relative to the states own prior projections and growth trends, the gap is closer to 100,000 students. **At current per-pupil funding levels, this creates nearly \$800 million a year in potential savings, relative to a counterfactual where all of these students had enrolled in public schools.** While effectively all of the enrollment decline comes from traditional District public schools, Charter school growth has slowed dramatically.

On the other hand, the ESA program today has over 75,000 more students than it enrolled when public school enrollment peaked. Although the ESA program is on pace to reach \$1.0 billion in annual expenditures (of which about \$576 million is attributable to Universal eligibility), this amount is offset by savings from reduced public school enrollment.

FIGURE 4

Public School Enrollment Trends Since 2020

Demographic and preference shifts continue to depress public school enrollment in Arizona relative to pre-pandemic projections. Today, enrollment is almost 90,000 students below the states last pre-pandemic forecast - creating an annual savings of \$760 million.



Source: JLBC K-12 Funding Report, JLBC FY2021 Baseline Book, JLBC FY2026 Appropriations Report - CSI imputes an FY24 and after Enrollment forecast given three year projections in the FY21 Baseline book. Funding savings assume current per-pupil funding levels at projected enrollment levels.

Similarly, the pre-existing STO program – also open to any private school student for payment of tuition costs – is effectively state-funded via dollar-for-dollar tax credits, and is no longer growing. The number of STO scholarships peaked in 2021 and has fallen 26% since; reduced annual donations should increase state income tax payments by over \$33 million/year.

Arizona allocates funding to nearly all K-12 students based mostly on per-pupil formulas; when enrollment in one of these formula-programs declines, funding declines. When enrollment grows, funding grows. The state also prepares long-term forecasts based on expectations about how these programs will grow. Prior to 2020, the non-partisan Joint Legislative Budget Committee consistently predicted long-term District and Charter enrollment growth of about 0.5%/year. Since 2020, actual growth in these programs has been *negative*, but total formula-funded growth has been much closer to these long-term predictions; *it has simply come from the ESA program instead of traditional Public schools.* Critically, **taxpayers should realize that in practice they are paying for approximately the same number of students as was expected 5 years ago.** The only difference is the *character* of those students versus expectations – there are relatively more ESA and Charter students, and relatively fewer District and STO students.

WHO'S USING AN ESA?

As of September 2025, 56.7% of all ESA recipients were living in Arizona ZIP codes with a median family income of between \$75,000 and \$150,000. This is up slightly from 56.3% in May 2025. For context, 49.0% of all households with children under 18 reside in these ZIP codes; on the other hand, 35.8% of all Arizona families have household incomes between \$75,000 and \$150,000.

Because information about ESA recipients is released only in summary form by the Department of Education, program observers have been forced to draw inferences about the population, including their incomes and backgrounds. These inferences have been a prominent part of the political debate. The Department does not collect or report information about family income, race, or other characteristics; it does collect and report ZIP-code level geographic data, however.

The American Community Survey provides information about the incomes and demographics of Arizonans by ZIP code. However, the sample - especially the 1-year - is relatively small. The low response counts in some individual ZIP codes introduces significant risk of survey error; on the other hand, statewide averages - and in particular statewide averages from the 5-year surveys - produce much more reliable estimates about the true population's characteristics.

FIGURE 5

ESA Students by Average Income

Middle income families in Arizona are the disproportionate users of the ESA program.

Median Family Income by ZIP code	% of ESA Students by ZIP code (5/2025)	% of ESA Students by ZIP code (9/2025)	% of Households with children by ZIP code	% of All AZ Families
\$0 to \$74,999	25.39%	25.30%	38.93%	39.70%
\$75,000 to \$99,999	23.78%	23.94%	23.00%	14.60%
\$100,000 to \$149,999	32.56%	32.72%	25.98%	21.20%
\$150,000 to \$199,999	13.50%	13.17%	9.65%	11.00%
\$200,000 or more	2.71%	2.66%	1.11%	13.50%
Est. Average (Mean) Income	\$130,302	\$129,388	\$117,095	\$120,039

Source: Arizona Dept of Education, American Community Survey • Families are defined in the ACS as related households, but aren't necessarily households with children. Where data is available, CSI treats households with children as the comparison population for ESA users; if data isn't available, CSI uses ACS families. Since the underlying income of Arizona families is accurately estimated and reported, it is displayed here (column 5). But if we "estimated" this value the same way we estimate ESA income, we get a different (presumably worse) value (column 4). For transparency, though, we report it in column 4, even though it is a worse estimate of the underlying population parameter than column 5, because it is "apples-to-apples" with how we estimate ESA participant parameters.

This is especially true when trying to draw conclusions about households with school-aged children. In general, these households are concentrated in certain parts of the state, and those households (and ZIP codes) differ systematically from those without children. Families and households with children are *higher income* than households without, and most children in Arizona are found in wealthier ZIP codes.

CSI uses the best data available to us to try and draw the most likely conclusions, given these limitations and uncertainties. For ESA users, that is ZIP code data, but for Arizona families in general, that is ACS 5-year statewide averages. However, for transparency, we also now report the share of all Arizona households with school-aged children residing in ZIP codes by median income, using the latest ACS 1-year estimates; while an “apples-to-apples” comparison with our ESA methodology, we repeat our caution regarding the uncertainty and small sample size.

For further discussion of our technical assumptions and there justification, see our “2025 Quarter 1” Report from earlier this year.

CSI again notes how small the number of households involved are (and this occurs often in ZIP code-level data); any reporting of this data by ZIP that tries to “normalize” (for example, reporting x per thousand kids) conceals this scarcity issue and implies something that isn't true (namely that there are potentially large numbers of ESA users or children in, say, Paradise Valley – a very high income ZIP code [85253] with a high ESA utilization ‘rate’ but with only 678 ESA users [0.9% of all ESA's] and 2,728 kids total).

In general, given this uncertainty, we rely on median values for ACS 1-year and ZIP-code based analyses (which are subject to our largest possible sample skew and survey error), but also calculate and report arithmetic means when feasible and defensible (where robust sample sizes minimize potential error and skew and allow the theoretical advantage of the mean to come through).

FIGURE 6

Demographics of ESA Students

ESA students in Arizona come from mainly married couple working families, with more students from rural areas than the statewide average.

Demographic	% of ESA Students (1/2025)	% of ESA Students (9/2025)	% of AZ
Nonwhite Population	18.2%	17.9%	21.3%
% in Rural Areas	12.7%	13.2%	10.7%
Average Family Size	3.13	3.13	3.12
Married Couple Households	52.5%	52.5%	47.0%
% of Kids with Both Parents Working	69.0%	68.9%	68.8%

Source: Arizona Dept of Education, American Community Survey

ESA users continue to lean disproportionately middle-income (defined here to be households earning between \$75,000-\$150,000). While a quarter of ESA users may live in households earning less than \$75,000 per year, up to 40% of *all* households with children earn this much. On the other hand, while we estimate less than 3% of ESA-using households earn over \$200,000 per year, up to over 13% of *all* Arizona families earn this much.

CSI continues reporting other expected demographic characteristics of the ESA population here, using similar methodology as our approach to estimating incomes. This data relies on the same ZIP-code based methodology as our income estimates and is subject to the same measurement uncertainty. Again in general, what is striking is how similar ESA users to the overall K-12 population. We note three areas of marked difference (and will update these figures quarterly as data allows):

- While 18% of ESA users are estimated to be nonwhite, this is statistically less than for Arizona's overall population (21.3%).
- Over 13% of ESA users reside in rural ZIP Codes – higher than the 10.7% of Arizonans overall.
- ESA recipients are probably more likely to reside in married-couple households (52.5%, versus 47.0% of Arizona households with children overall).

MEASURING PROGRAM EFFICIENCY

As of September 2025, the most recent Quarterly Report to the Board released by the Department of Education applied to ESA activity occurring between May and July 2024 (FY24 Q4). The most recent report to the Legislature and Governor was released in August 2025 and applies to activity occurring between May and July 2025.

There has not been an update to how quickly reimbursements are being approved since March 2024, and at that time it took an average of 13 days to approve reimbursements. **Marketplace transactions were approved at 87% of their expected rate in Quarter 2 of FY 2025 (a decrease from 88% in the prior quarter).** This reflects a sustained increase in administrative efficiency since the Department adopted pre-approval of most transactions under \$2,000, subject to future review and audit. For context, in the quarter immediately prior to this change, the approval rate was only 72%.

Reporting about reimbursements and efficiency measures from the Department is inconsistent, so CSI uses a proxy measurement to estimate how efficiently the Department is processing transactions made by ESA users. Assuming ESA users were on average exhausting their scholarships, and the Department was timely approving all expenditure requests, on average and over time approved expenditures would average out to 100% of scholarship awards.

For the eight quarters that data is available, ADE has never achieved a 100% of theoretical maximum expense approval rate. Approval rates are currently near their all-time peak of 88.8%. On average, the Department reports approving expenses for only about 80% of awards. These trends imply growing and systemic backlogs and lengthy approval/reimbursement processes, and growing account balances.

FIGURE 7

ESA Program Administration

Date	Average Days to Approve Reimbursements	Approved Share of Expected Quarterly Expenditures
Q4 2025	NR	87.0%
Q3 2025	NR	87.9%
Q2 2025	NR	88.8%
Q1 2025	NR	71.8%
Q4 2024	NR	88.6%
Q3 2024	13	72.1%
Q2 2024	31	63.2%
Q1 2024	21	82.5%
Q4 2023	12	NR
Q3 2023	29	NR

Source: Arizona Dept of Education • On average and over time, assuming ESA accounts are fully utilized, quarterly approved expenditures should average out to 25% of annual ESA award amounts (for a displayed value of 100% in Column 3). To the extent they are persistently below this ratio, that may imply significant delays or issues in making timely purchases with the program. CSI uses ADE provided quarterly expenditure amounts and annual award amounts to estimate the expected approvals.

CSI continues monitoring other administrative changes that may impact the efficiency of the ESA program. In May 2025, the Department proposed various limits on purchases of musical instruments, technology, and other items. Although the Department claimed “the coverage amounts help reduce delays in the approval process for allowable expenses and expedite the approval process for families”, it appeared to be a response to a series of negative media articles about homeschool families’ purchases that were published around this time. CSI noted at the time that it could not identify clear statutory authority for those limits, which were contrary to the use- and audit-based regime enacted by the Legislature. In July, the **Department adopted a Parent Handbook that did not include these explicit limits.**

As a reminder, under prior Department of Education policy, staff must review and pre-approve each purchase, order, and reimbursement in the ESA program, before it can occur. Although today most purchases under \$2,000 receive automatic pre-approval (subject to later review), it is unclear whether ADE intends to continue this process in perpetuity or continues to believe it must review and approve all transactions before they process.^{vi} For context, in 2025 Quarter 4 alone, there were 260,568 reimbursements, and 455,142 orders individually reviewed by Department staff.^{vii} Each of these transactions are subject to the same process of review and pre-approval, regardless of amount or scope. For example, the Department previously required its limited staff resources to individually review and approve 126,564 purchases of “curriculum”.^{viii} The average purchase amount? Just \$42.

FIGURE 8

Recent Changes to ESA Program Administration

The Arizona Department of Education has made several changes to the ESA program since Universal Expansion regarding funding disbursements, purchase approvals, auditing procedures, and reimbursements.

Date	Change	Impact
July 2025	Official adoption of an updated ESA Parent Handbook, including new approval standards for certain controversial expenditure items (musical instruments, technology).	May improve user clarity going forward; some of the more controversial proposed Handbook changes were omitted.
May 2025	ESA announced its intention to limit purchases for certain supplemental educational material such as instruments, appliances, and technology.	May reduce expenditure approval wait times by limiting more controversial purchase requests, but may limit program flexibility going forward.
Dec 2024	Approve reimbursements under \$2,000 and use risk based auditing.	Reduces the backlog of reimbursements and could reduce the wait times for families that need to be reimbursed.
Aug 2024	Recipients who apply for an ESA after March 31st do not receive funding until July 1st of the following Fiscal year	May create difficulties for homeschooling families seeking to enroll in summer programs
Feb 2023	The Department placed a hold of the issuance of pre-paid debit cards	Significantly slowed reimbursement rates and increased difficulty in purchasing educational items.

Source: Arizona Dept of Education, JLBC, ESA Parent Handbook 2025-2026 DRAFT • Supt. Horne said this most recent change was intended to be a temporary change and he favors repealing the legislative requirement that ADE accept reimbursement requests (which are the preferred payment option for 88% of ESA transactions).

BOTTOM LINE

Administrative reform throughout 2025 by the Department of Education has improved various high-level metrics: the Department is approving purchases faster and at greater volume and embracing its statutory authority (risk-based auditing, Handbook language noting use-tests for technology purchases and not limiting the purchases directly, etc.). However, the ESA environment often remains narrative rather than fact driven. We remind users: ESA enrollment costs are offset by reduced enrollment in other K-12 programs; ESA misuse rates are lower than comparable programs; ESA growth is slowing and increasingly driven by students switching from traditional public options.

SOURCES

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- vi. Schutsky, Wayne, "What Are Arizona Officials Doing to Combat Fraud in the School Voucher Program?," *KJZZ Phoenix 91.5*, February 4, 2025.
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- viii. "Arizona Empowerment Scholarship Account Program Fiscal Year 2025 Quarter 1 Report Pursuant to Arizona Revised Statutes 15-2406," *Arizona Department of Education*, November 2024.