

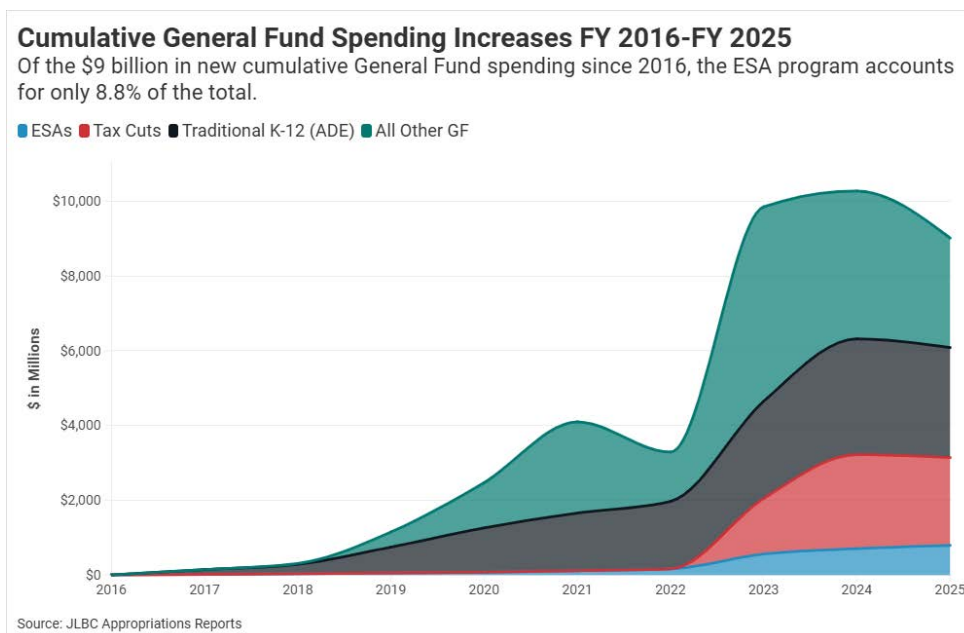
Fiction

ESA's are Bankrupting the State

“Arizona’s voucher experiment has since precipitated a budget meltdown. The state this year faced a \$1.4 billion budget shortfall, much of which was a result of the new voucher spending.”[iii]

Key Facts

- **\$4.5 billion cash surplus:** After ten years of persistent deficits, between FY2017 and FY2022 the State General Fund accumulated billions in cash and structural surpluses. **More than \$2 billion remained even after universal ESA expansion.**
- **\$7.5 billion in new spending:** In just 2 years (FY23 & FY24) policymakers increased annual General Fund spending by **nearly \$5 billion (+39%)** and **allocated another \$2.5 billion to “revenue reductions”**.
- **6% of all new spending:** Of the \$7.5 billion in new spending commitments, the universal ESA program accounts for only 6% of the total. There’s been \$1.3 billion in new funding for public schools since ESA expansion.
- Had policy makers limited General Fund spending growth to 4.4%/year (~\$600M annually), the State would still have a \$5 billion surplus.[iv]
- This situation isn’t unique to Arizona or states with new universal ESA programs – California has turned a \$100 billion surplus into a \$68 billion deficit, for example. On average, state budgets grew 30% over the past three years.[v]



Fiction

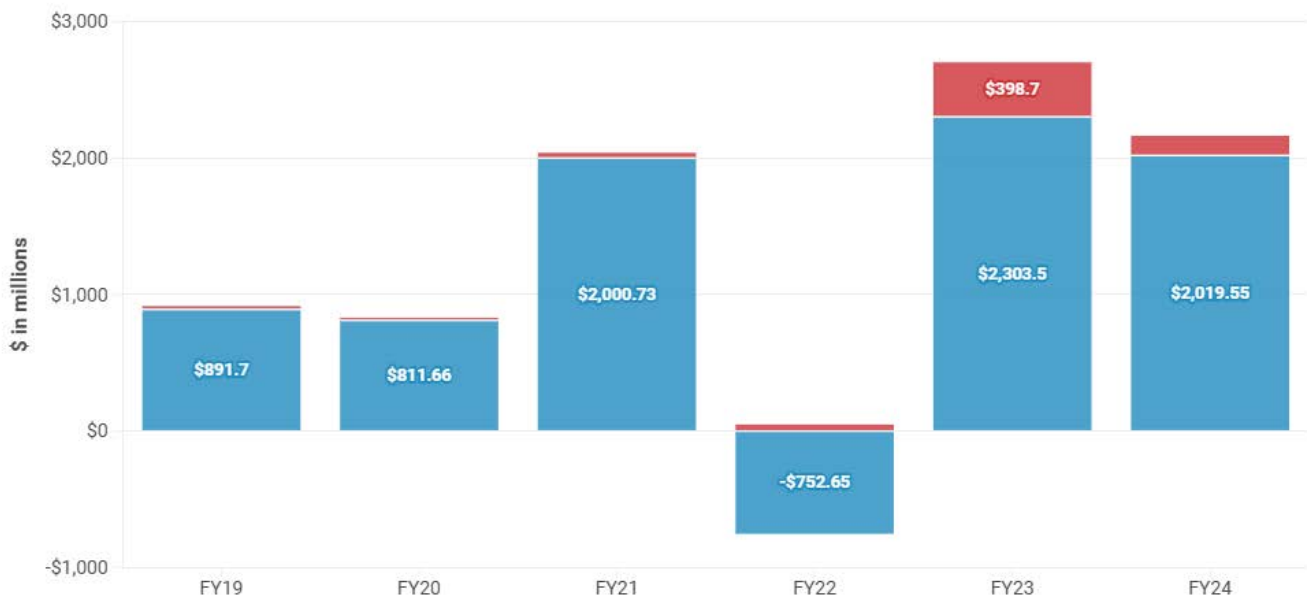
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Key Facts Continued

Annual Change in General Fund Spending

The overwhelming majority of new General Fund spending has taken place outside the ESA program. ESAs only accounted for 8.5% of all new spending, and only 6% of all new General Fund obligations including "revenue reductions".

■ Non-ESA General Fund Spending Growth ■ ESA Spending Growth



Source: JLBC Appropriations Reports, ESA Program Quarterly Reports

B O T T O M L I N E

Unprecedented revenue growth during and after the pandemic (fueled by runaway inflation and federal spending largesse) enabled nearly every state - not just Arizona - to accumulate massive cash surpluses and dramatically increase funding. This precipitated the current and ongoing nationwide state fiscal imbalance, and it has little to do with universal ESA's.