

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-sixth Legislature - First Regular Session

HOUSE AD HOC STUDY COMMITTEE ON EMPOWERMENT SCHOLARSHIP  
ACCOUNTS GOVERNANCE AND OVERSIGHT

Report of Interim Meeting  
Tuesday, November 14, 2023  
House Hearing Room 3 -- 2:00 P.M.

MINUTES RECEIVED  
CHIEF CLERK'S OFFICE

11/15/23

**Convened** 2:03 P.M.

**Adjourned** 4:32 P.M.

**Members Present**

Representative Ben Toma, Chairman  
Representative Nancy Gutierrez  
Representative Judy Schwiebert  
Eileen Klein  
Matthew Ladner  
John Ward  
Matthew Beienburg

**Members Absent**

Representative Beverly Pingerelli

**Agenda**

Original Agenda – Attachment 1

**Request to Speak**

Report – Attachment 2

**Committee Attendance**

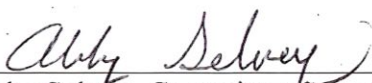
Report – Attachment 3

**Presentations**

<b><u>Name</u></b>	<b><u>Organization</u></b>	<b><u>Attachments (Handouts)</u></b>
Patrick Moran	Joint Legislative Budget Council Staff	4
John Ward	Arizona Department of Education	5

**Testimony**

	<b><u>Attachments</u></b>
Rebecca Walker	6

  
Abby Selvey, Committee Secretary  
November 15, 2023

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

## ARIZONA HOUSE OF REPRESENTATIVES

### INTERIM MEETING NOTICE OPEN TO THE PUBLIC

#### HOUSE AD HOC STUDY COMMITTEE ON EMPOWERMENT SCHOLARSHIP ACCOUNTS GOVERNANCE AND OVERSIGHT

**Date:** Tuesday, November 14, 2023

**Time:** 2:00 P.M.

**Place:** HHR 3

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2023111001>

#### AGENDA

1. Call to Order
2. Presentations:
  - a) Follow Up on Trends in ESAs and K-12 Education - Alan Maguire, The Maguire Company
  - b) K-12 Finance Issues Related to Student Movement Between Systems - Patrick Moran, JLBC Staff
  - c) ESA Management and Administration Updates - John Ward, Arizona Department of Education
3. Public Testimony
4. Adjournment

#### Members:

Representative Ben Toma, Chair  
Representative Nancy Gutierrez  
Representative Beverly Pingerelli  
Representative Judy Schwiebert

Eileen Klein  
Matthew Ladner  
John Ward  
Matthew Beienburg

11/01/2023  
11/06/2023  
11/09/2023  
VC  
RA

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

# ARIZONA STATE LEGISLATURE

Fifty-sixth Legislature - First Regular Session

## INTERIM COMMITTEE ATTENDANCE RECORD

COMMITTEE ON HOUSE AD HOC STUDY COMMITTEE ON EMPOWERMENT  
SCHOLARSHIP ACCOUNTS GOVERNANCE AND OVERSIGHT

DATE	11/14/23	
CONVENED	2:03pm	
RECESSED		
RECONVENED		
ADJOURNED	4:32pm	
MEMBERS		
Representative Ben Toma, Chair	✓	
Representative Nancy Gutierrez	✓	
Representative Beverly Pingerelli	—	
Representative Judy Schwiebert	✓	
Eileen Klein	✓	
Matthew Ladner	✓	
John Ward	✓	
Matthew Beienburg	✓	

√ Present

--- Absent

exc Excused

# Information Registered on the Request to Speak System

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## *House Ad Hoc Study Committee on Empowerment Scholarship Accounts Governance and Oversight (11/14/2023)*

### **3, Public Testimony**

#### **Support:**

Julie Batt, representing self; Kayla Svedin, representing self; Lisa McCarville, representing self; Kathy Boltz, representing self; Tatiana Pena, representing self; Angela Faber, representing self; Rebecca Walker, representing self; Denise Ceballos Viner, representing self; Harmony Ierley, representing self; Candice Kannapel, representing self; Asher Batt, representing self; Lauren Jennings, representing self; Rick Crosby, representing self; Amanda Pappas, representing self; Chris Holmberg, representing self; Fumiko Tipping, representing self; Pamela Carter, representing self; carmen wilson, representing self

#### **Neutral:**

Katherine Visser, representing self; Catherine Sigmon, representing self; Beth Lewis, SAVE OUR SCHOOLS ARIZONA; Tyler Kowch, representing self; Leda DeVlieger, representing self; Linda Crosby, representing self; Elijah Watson, representing self; Zsuzsanna Anderson, representing self; Jordan Visser, representing self; Whitney Marsh, representing self; Julia Ivy, representing self; crystal deleon, representing self; flora jessop, representing self; Ramon Ventura, representing self; Katina Nawrocki, representing self; Rachel Aw, representing self

#### **All Comments:**

Denise Ceballos Viner, Self: I will like to speak; Pamela Carter, Self: I am in favor of ESAs; carmen wilson, Self: ESA: This program for my family has been a lifesaver .; Elijah Watson, Self: I think it is really unfortunate we're still failing to meet the needs of our public schools and yet we're allowing for millions of dollars in unaccounted taxpayer dollars to be spent on families attending private educational institutions.; flora jessop, Self: my child is in elementary school and last year I had to demand they remove 32 nude pictures from the hall walls. My child is also 3 years behind and I have direct comments from the teacher not knowing how to teach the new math curr.; Ramon Ventura, Self: Homeschooler; Katina Nawrocki, Self: ESA parent wanting to share how helpful this program is to my family.; Rachel Aw, Self: ESA Universal affords my high schooler the ability to take co-op classes such as American Literature, US History, math tutoring. I am held to account for submission of paid receipts & teacher's credentials. Each cent spent has to abide by ESA handbk

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HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on ESA Bill Number \_\_\_\_\_

Date 11/14/23  Support  Oppose  Neutral

Name Christine Busch Need to Speak?  Yes  No

Representing \_\_\_\_\_ Are you a registered lobbyist? no

Complete Address 7319 W. Midway Ave. Glendale AZ 85303

E-mail Address allegsnorp@gmail.com Phone Number 772-206-5260

Comments: \_\_\_\_\_

\*\*\*FIVE-MINUTE SPEAKING LIMIT\*\*\*

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HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on ESA Bill Number \_\_\_\_\_

Date 11/14/2023  Support  Oppose  Neutral

Name Elizabeth Baker Need to Speak?  Yes  No

Representing \_\_\_\_\_ Are you a registered lobbyist? No

Complete Address 1319 N Roca Mesa, AZ 85213

E-mail Address \_\_\_\_\_ Phone Number 480-332-2125

Comments: \_\_\_\_\_

\*\*\*FIVE-MINUTE SPEAKING LIMIT\*\*\*

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HOUSE OF REPRESENTATIVES

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Committee on ESA Bill Number \_\_\_\_\_

Date 11/14/23  Support  Oppose  Neutral

Name Tatiana Peña Need to Speak?  Yes  No

Representing \_\_\_\_\_ Are you a registered lobbyist? \_\_\_\_\_

Complete Address 3731 E. Saint Anne Ave Phoenix

E-mail Address tatiana@... Phone Number \_\_\_\_\_

Comments: \_\_\_\_\_

\*\*\*FIVE-MINUTE SPEAKING LIMIT\*\*\*

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HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on ESA-AD NOV Bill Number \_\_\_\_\_

Date 11/14/23  Support  Oppose  Neutral

Name Leann Fox Embrey Need to Speak?  Yes  No

Representing Self Are you a registered lobbyist? \_\_\_\_\_

Complete Address 15434 W Montecito Ave

E-mail Address embreyacademy@gmail.com Phone Number 602-349-2568

Comments: \_\_\_\_\_

\*\*\*FIVE-MINUTE SPEAKING LIMIT\*\*\*

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HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on ESA Governance and Bill Number \_\_\_\_\_  
oversight

Date \_\_\_\_\_  Support  Oppose  Neutral

Name Anita Gettleson Need to Speak?  Yes  No

Representing myself Are you a registered lobbyist? No

Complete Address 1615 E Weber Dr, #41084, Tempe Az 85288

E-mail Address AGettleson@gmail.com Phone Number 480-410-5414

Comments: \_\_\_\_\_

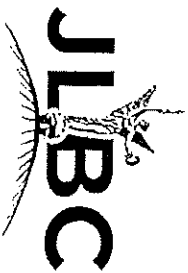
\*\*\*FIVE-MINUTE SPEAKING LIMIT\*\*\*

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# K-12 and ESA Formula Funding

## Overview

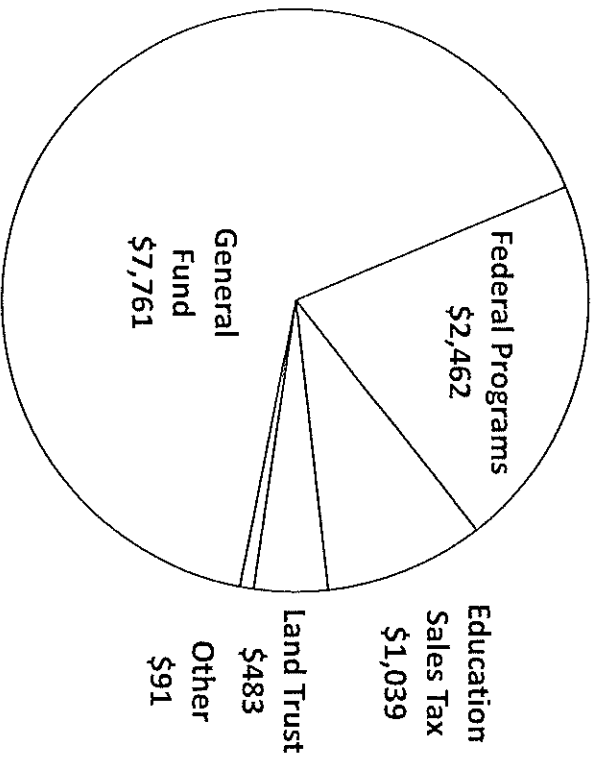
November 14, 2023



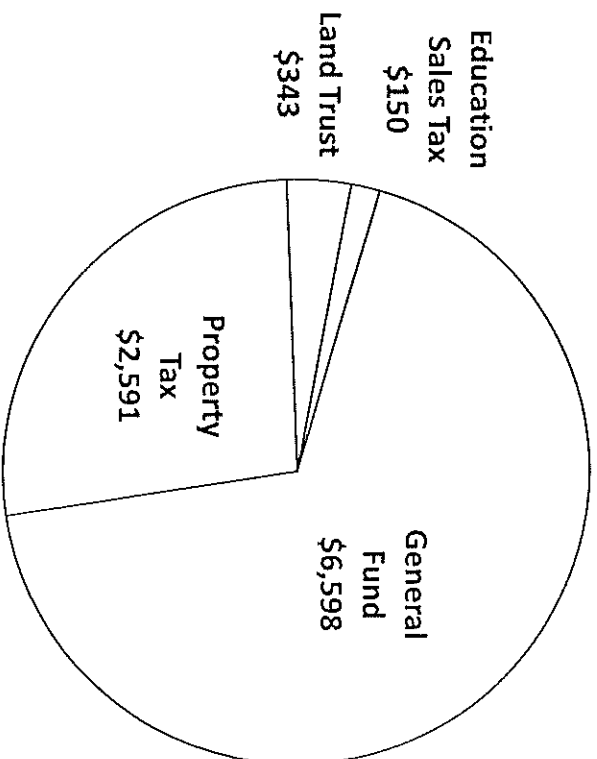


# Basic State Aid Allocates \$9.7 Billion to Schools

- Mostly Funded by ADE Resources



ADE = \$11.8 B



BSA Formula = \$9.7 B

## **Student Counts are Key Determinant of BSA Funding Levels**

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- Average Daily Membership (ADM) measures student counts:
  - Enrollment of full-time/fractional students for first 100 days, minus withdrawals
  - Students must meet minimum requirements for total instructional hours/courses to be counted
  - FY 2024 Unweighted Count (Estimated): 1.1 million
- ADM is “weighted” based on statutory factors:
  - Group A weights adjust for school size, urban/rural location, K-8/high school
  - Group B weights adjust for specific student populations (e.g. Special Ed, English Learners, K-3, etc.)
  - FY 2024 Weighted Count (Estimated): 1.56 million

## Public School BSA Formula Components (Enacted Budget)

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- Base Level: \$7.80 billion
  - Calculated with current year weighted ADM; current amount is \$4,914.71
  - Voter-protected statute requires annual inflation adjustment
- Additional Assistance: \$1.04 billion
  - Districts: calculated with prior year unweighted ADM; ranges from \$549.45 to \$732.87
  - Charters: calculated with current year unweighted ADM; ranges from \$2,049.12 to \$2,388.21
- Transportation: \$213 million
  - Districts only; calculated with prior year route miles; ranges from \$2.37 to \$2.89 per route mile
  - Voter-protected statute requires annual inflation adjustment

## **Property Taxes Fund \$2.59 Billion of Public School Formula**

### **- State Partially Offsets with Homeowner's Rebate**

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- Qualifying Tax Rate (QTR): \$2.59 billion
  - Districts cover portion of their formula cost via primary property tax
  - Current rates are \$1.6549 for non-unified, \$3.3098 for unified
  - Adjusted annually by JLBC Staff in accordance with Truth-in-Taxation
- Homeowners receive rebate on portion of QTR taxes
  - 50% in FY 2024 with cap of \$600
  - Also provides funding for homeowners over the 1% cap
  - Total FY 2024 cost: \$512 million General Fund

## **ESA Formula Funds 90% of Base Support Level and CAA**

**- Enacted Budget Assumed \$625 million for 68,000 enrollees**

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- Actual enrollment is currently 70,000 and awards are \$665 M.
- Net impact on ADE budget depends on whether new ESA students are “switchers” or were always in private/homeschooled settings.
- ESA formula cost compared with public school depends on school of origin and Group B weights
- We cannot determine impact of switchers in real time due to data limitations

## ESA Basic State Aid Formula Comparisons

- Large State Aid District, Pupil with no Group B weights

	Grades 1-8	High School
District	\$ 6,200	\$ 6,800
Charter	\$ 7,700	\$ 8,600
ESA	\$ 6,900	\$ 7,700
District less than Charter	\$ (1,500)	\$ (1,800)
District <u>less</u> than ESA	\$ (700)	\$ (900)
Charter <u>more</u> than ESA	\$ 800	\$ 900

## ESA Basic State Aid Formula Comparisons

- Large Non-State Aid District, Pupil with no Group B weights

	Grades 1-8	High School
District	\$ 0	\$ 0
Charter	\$ 7,700	\$ 8,600
ESA	\$ 6,900	\$ 7,700
District <u>less</u> than Charter	\$ (7,700)	\$ (8,600)
District <u>less</u> than ESA	\$ (6,900)	\$ (7,700)
Charter more than ESA	\$ 800	\$ 900

## ESA Basic State Aid Formula Comparisons

- Large State Aid District, Pupil with Moderate Intellectual Disability (MOID)

	Grades 1-8	High School
District	\$ 27,900	\$ 28,500
Charter	\$ 29,400	\$ 30,300
ESA	\$ 26,500	\$ 27,300
District less than Charter	\$ (1,500)	\$ (1,800)
District <u>more</u> than ESA	\$ 1,400	\$ 1,200
Charter <u>more</u> than ESA	\$ 2,900	\$ 3,000



## Major Non-BSA State and Local Funding for Public Schools

### - ESAs May Impact Select Non-Formula Funding Sources

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<u>Funding Source</u>	<u>\$ in Millions</u>
1) Classroom Site Fund	1,018
2) Bonds	814
3) Overrides	750
4) Other State Formulas	472
5) School Facilities Division	357
6) Other Local Tax Levies	350

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\*\* ESAs may also affect utilization of STO Tax Credit programs, which totaled \$257 Million in FY 23

**Empowering Families  
With Educational Options  
Through a Growing,  
Accountable, and  
Continuously Improving  
ESA Program**

John Ward, ESA Executive Director

November 14, 2023







1. **Growth in ESA's Enrollment and Popularity**
2. **Accountability within the ESA program**
3. **New innovations being implemented in the ESA program**



# ESA's Enrollment and Popularity are Growing

Pre-Universal	Universal
11 Eligibility Categories	11 Eligibility Categories + Universal
13,422 Students	70,173 Students

Based on current trends, the Program may enroll 90,000 to 100,000 students by the beginning of next school year.



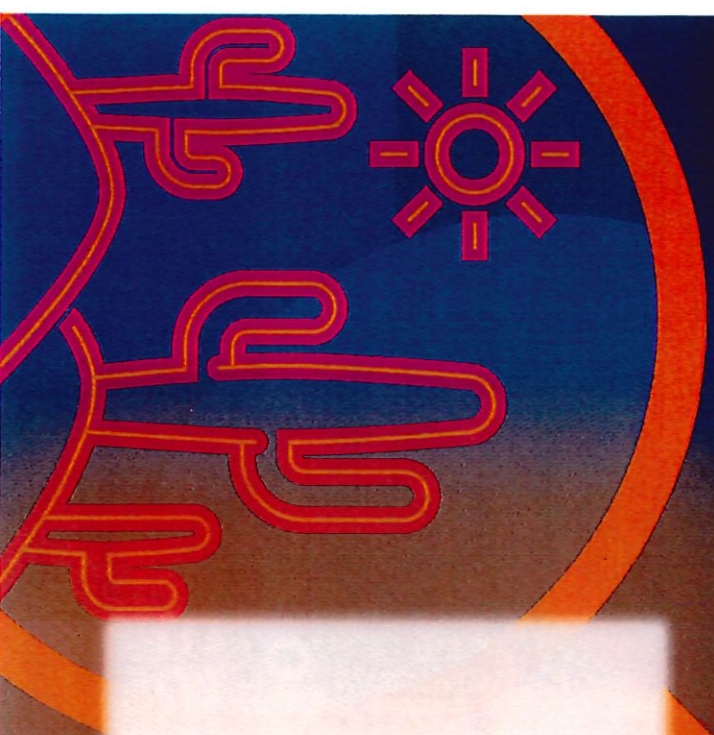


# ESA's Enrollment and Popularity are Growing

Projected FY 2024 ESA Awards

\$780 million

\$57 million surplus in Basic State Aid





# ESA's Enrollment and Popularity are Growing

Public-School Student	ESA Student
\$13,400 (FY 2022)	\$9,800 (FY 2024)

An ESA student costs 27 percent less to educate than a public-school student.

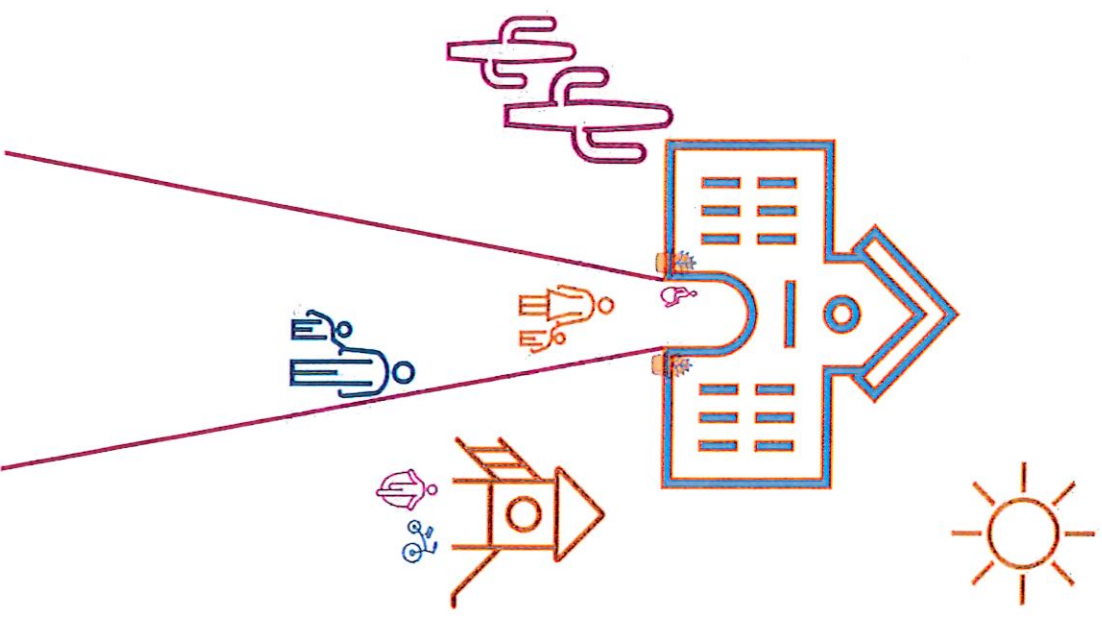




# ESA Operations Designed for Accountability

## Enrollment Process Designed to Verify Eligibility and Reduce Fraud

- Birth Certificate reviews
- Proof of Residency reviews
- Disability evaluation reviews
- Public School enrollment reviews

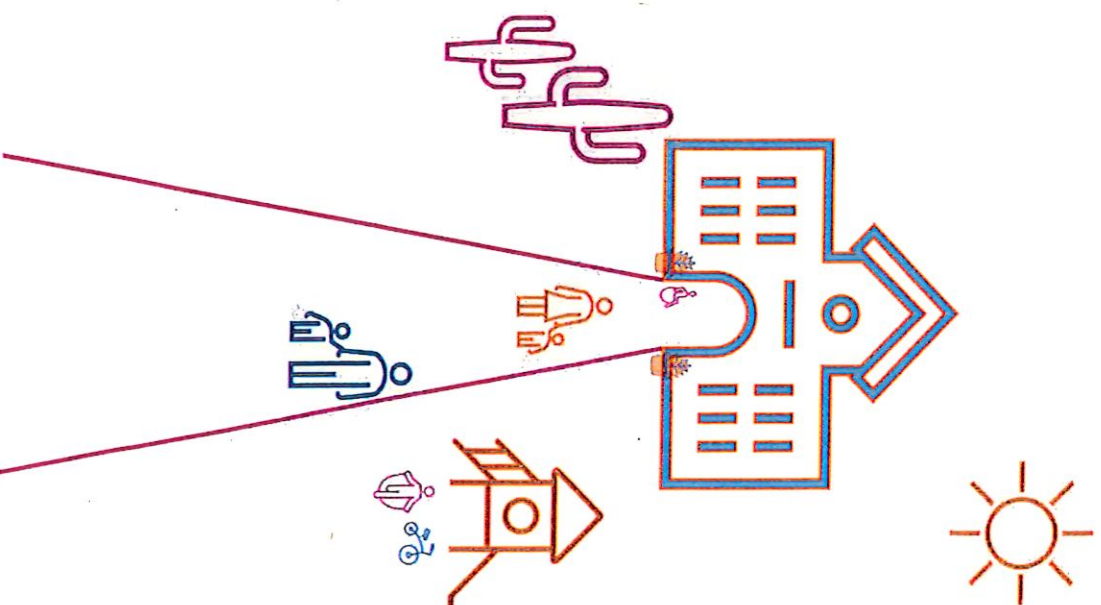




# ESA Operations Designed for Accountability

## Enrollment Processes Helped Ensure Accountability in Quarter 1

- Over 15,000 ESA applications reviewed—  
Several thousand applications were  
identified as incomplete because they lacked  
adequate documentation.
- Almost 2,200 ESA accounts suspended  
because of public school enrollment. Their  
annual awards totaled over \$21 million.

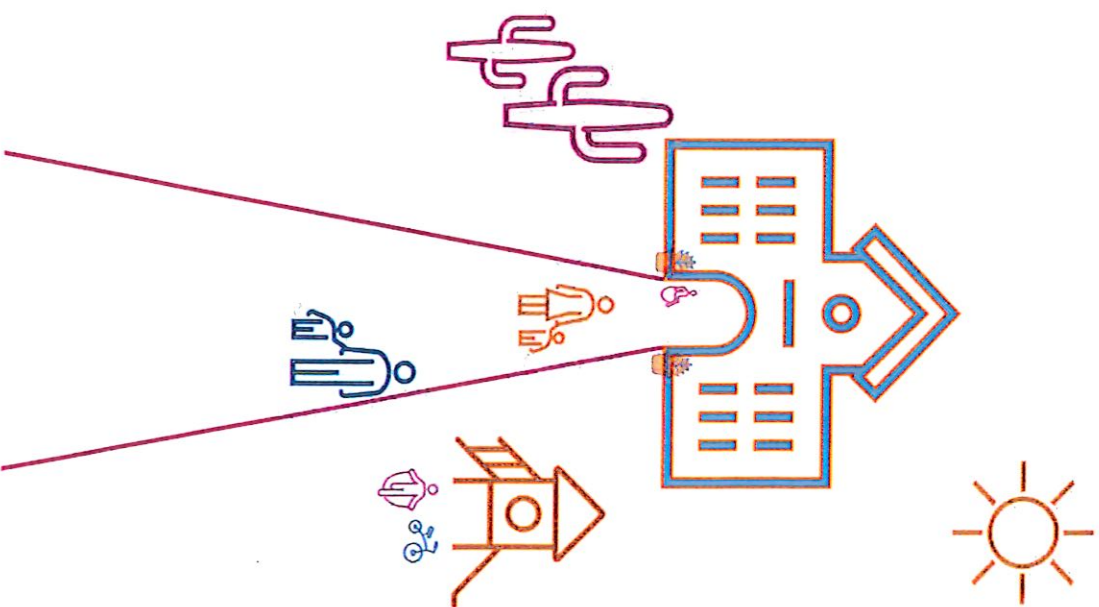




# ESA Operations Designed for Accountability

## Purchases Reviewed to Ensure Allowability

- All purchases reviewed
- Curriculum reviewed
- Individual Education Plans (IEP) and Individual Educational Evaluations (IEE) reviewed

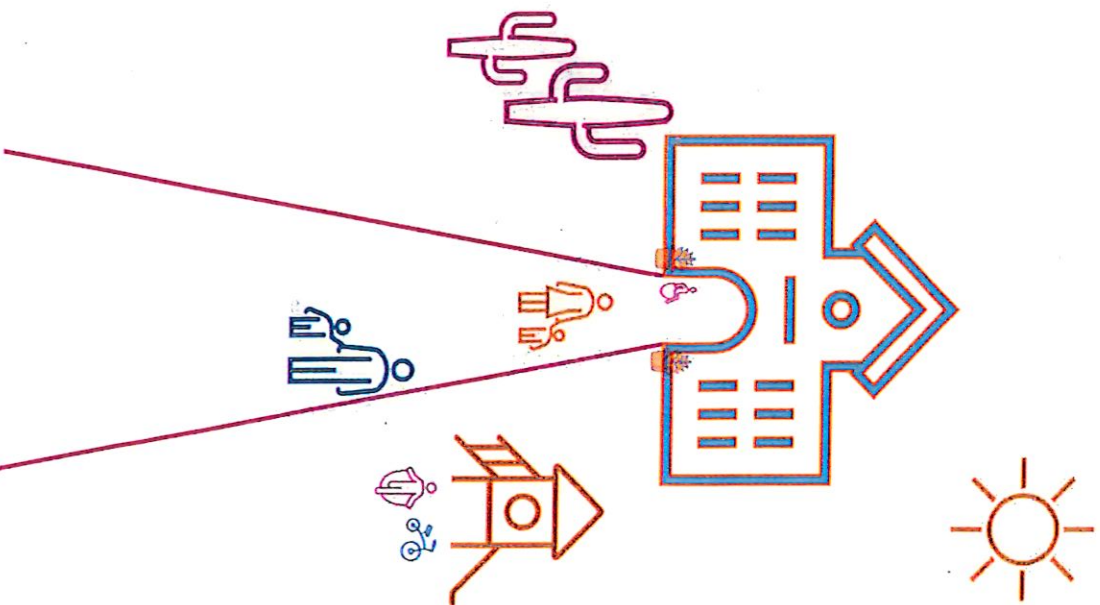




# ESA Operations Designed for Accountability

Purchase Review Process Helped Ensure  
Accountability in Quarter 1

Reviewed	Rejected
252,000 orders	12,200 orders (5%)

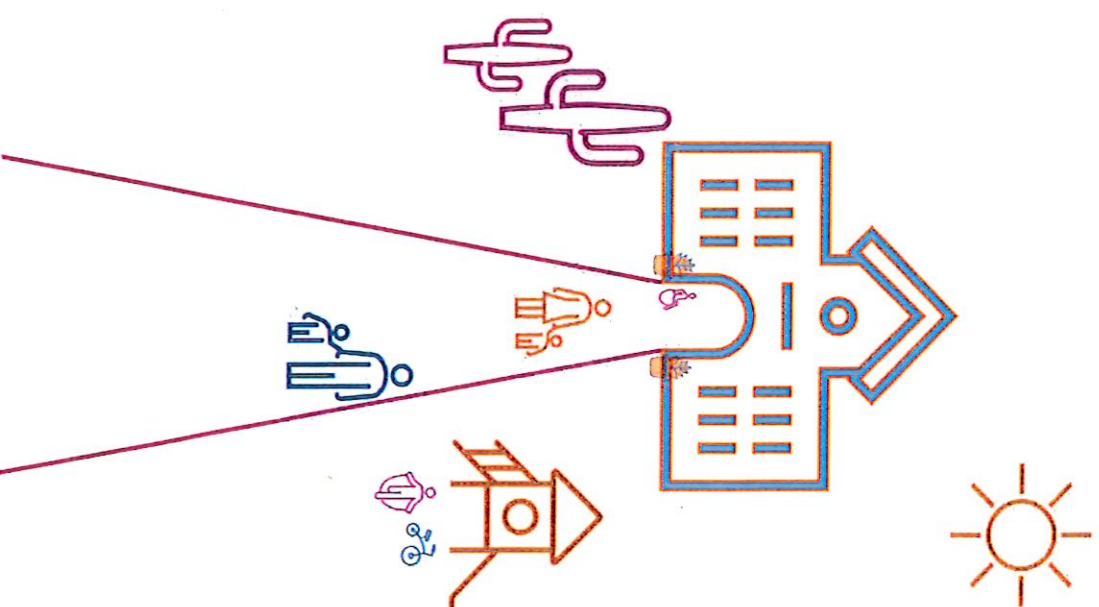




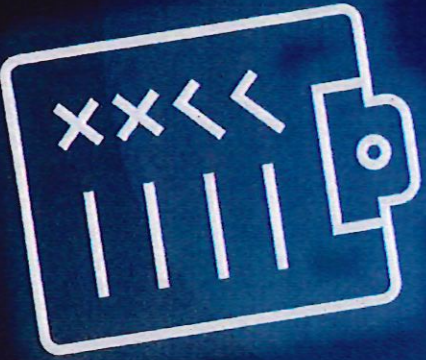
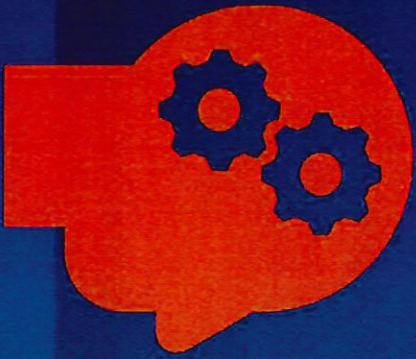
# ESA Operations Designed for Accountability

## Cooperation with Law Enforcement

The Arizona Department of Education and the ESA Program will always cooperate with the Attorney General's Office, the Arizona Department of Homeland Security, and any other law enforcement agency with jurisdiction, on issues pertaining to program and legal accountability.





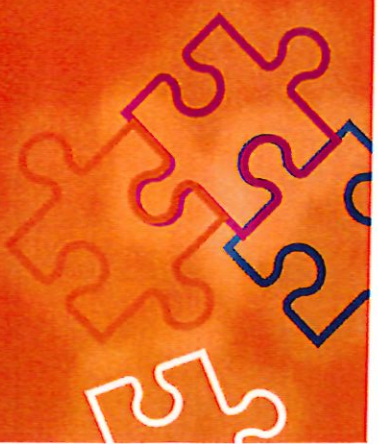


## **ESA Implementing Innovations and Improvements**

**Continuously Improving Internal  
Controls over Data and Processes**

### **Areas**

- Enrollment
- Purchase Review
- Conflicts of Interest







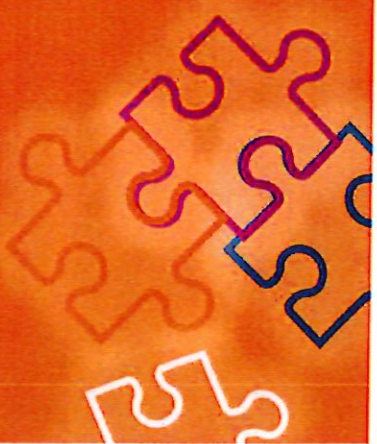
# ESA Implementing Innovations and Improvements

## Automating Purchase Review Process

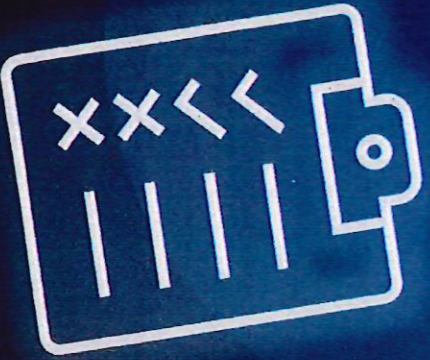
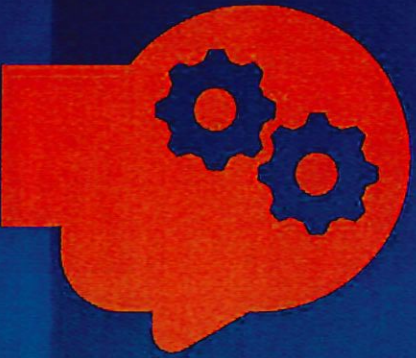
### Phase 1

Design, Development, and Deployment of  
Marketplace Auto Approval

- Catalog curation
- Rules engine







# ESA Implementing Innovations and Improvements



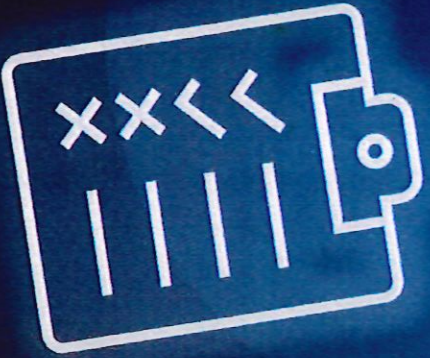
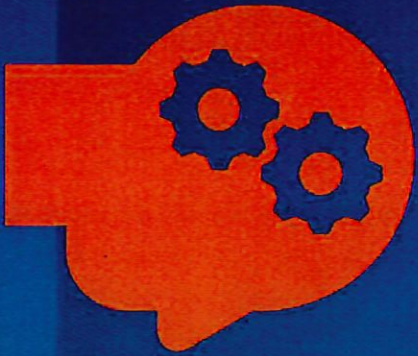
## Automating purchase review process

### Phase 2

Design, Development, and Deployment of DirectPay, Reimbursement, and Debit Card auto approval

- Scanning technology
- Rules engine

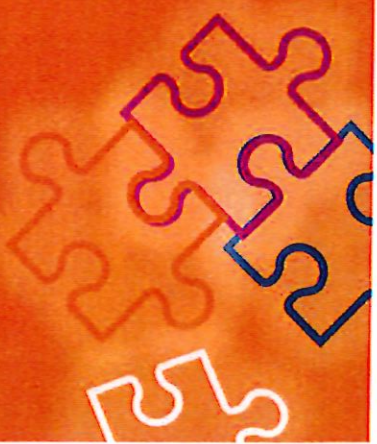




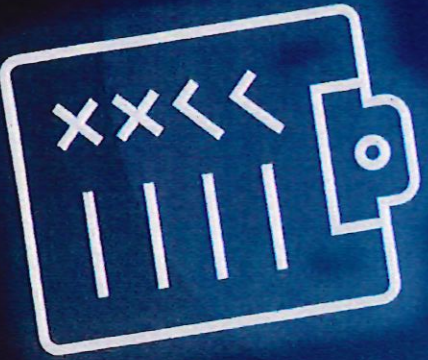
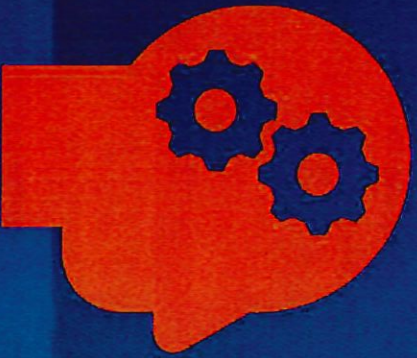
## ESA Implementing Innovations and Improvements

### Automating Enrollment Process

- Mapped out process
- Identifying opportunities



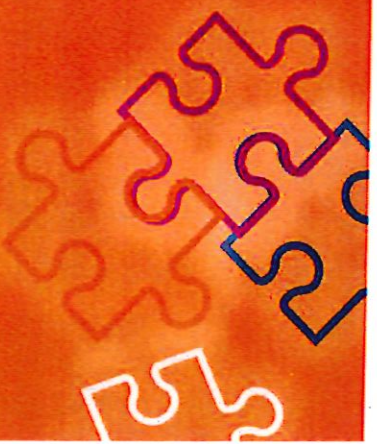




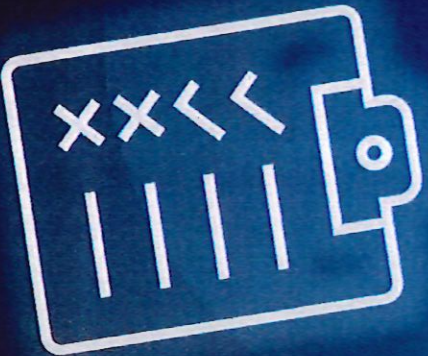
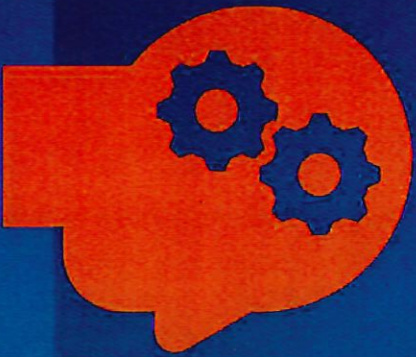
## **ESA Implementing Innovations and Improvements**

### **Data Transparency Through a Data Dashboard**

- Public-facing
- Over 50 metrics identified







## **ESA Implementing Innovations and Improvements**

### **Data Transparency Through a Data Dashboard**

#### **Examples**

- Number of ESA participants by eligibility type, grade level, gender, age, zip code, and county
- Number of students previously in a public school
- Number of applications coming in weekly and monthly
- Average and median award amounts





Rebecca Walker

758 W Pima Ave, Coolidge, AZ 95128

Cell: 808.384.9527

**AD HOC STUDY COMMITTEE ON EMPOWERMENT SCHOLARSHIP ACCOUNTS  
GOVERNANCE AND OVERSIGHT 11/14/2023**

Thank you for giving me the opportunity to speak to the issue of ESA Funding and testing oversight. The very name: Empowerment Scholarship Account is about unleashing learning!

For context to my community, according to the Public School Review website for the 2020-2021 school year:

“Coolidge Unified District students have an average math proficiency score of 8% (versus the Arizona public school average of 31%); and a Reading proficiency score of 14% (versus the 39% statewide average.)” Our graduation rate is currently below 72%.

I am thrilled that my daughter and other families in Arizona are choosing to invest their time and their student’s public tax funding into the best education they can achieve.

My daughter has homeschooled five children and she works hard to choose curriculum opportunities that best suit the learning needs of each child. There is no ***one size fits all***; rather she chooses the most hands-on, multi-sensory learning methods, tools and activities to enable her children to thrive and love learning.

Where needed she secures specialized tutoring help such as in the case of one granddaughter who is dyslexic. This delightful girl was adopted out of the foster care system and spent her first four years of public education **NOT** learning to read, yet being promoted to the next grade year after year. Needless to say she hated school at the age of 9. After two years of homeschool and special help, she can now read at a second grade level. I am so proud of her achievement!

Finally, ***Please vote to fully support the parents of Arizona who choose to oversee their child’s education and their ability to purchase the necessary and diverse tools to accomplish that job as they see fit for the EMPOWERMENT of their children; and please vote to NOT repeat the failure of imposed, mandatory testing on ESA students.***

Thank you