

State Room Arizona 002: Jenna Bentley | ESAs Explained - School Choice

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Full Article-Style Transcript

Introduction: ESAs and School Choice

Scot Mussi: Hi, welcome to The State Room, a podcast dedicated to focusing on the issues that are most important here in Arizona and that define the future of Arizona public policy. I am your host, Scot Mussi. Today's episode of The State Room is going to focus on a topic that has been dominating the news, not just here locally, but nationally. It is also an issue that likely voters here in Arizona may have a say on in November in the form of a ballot initiative. What I am talking about are ESAs, or school choice in general, here in Arizona. For today's episode, I have invited Jenna Bentley, Director of Government Affairs at the Goldwater Institute. She handles much of their public policy and advocacy work at the legislature and is one of the experts on school choice and the ESA program here in Arizona. Jenna, thank you for joining us.

Jenna Bentley: Thank you for having me.

Scot Mussi: Let's start at the beginning, because when we talk about school choice and ESAs, most people are not actually that familiar with what an ESA is or what it does, or how it relates to the school choice programs here in the state. Could you take a minute to explain what an ESA is and how a parent or child uses an ESA to go to school or pick a school here in Arizona?

Jenna Bentley: Sure. To clarify, ESAs, also known as Empowerment Scholarship Accounts or savings accounts, are not new in Arizona. We have actually had them for over a decade. What has changed is who has been eligible to receive these accounts. Essentially, a parent can apply for the ESA program, be placed on it, and then receive a portion of their tax dollars back that they can use for whatever educational option best suits their child. That could be a private school, homeschool, cottage school programs, or other educational options. Where this came from is the reality that while some districts are good and some are not, just because a child is in a public school does not mean that is the right option for them. In most states, especially Arizona, kids are placed in a district based on their zip code. That might not be a good fit for many reasons: the teachers may not be great, the child may be having issues with other students, or the school may be low performing. School choice, and especially the ESA program, empowers parents to use their own tax dollars to put their children in the educational opportunity that best suits their needs.

ESA Eligibility, Cost, and Usage

Scot Mussi: How much is an ESA? How much does a parent get if they want to take advantage of this and find a school that best suits their child?

Jenna Bentley: The average ESA is about \$7,400. There are some scenarios where it could be more. Students with special needs, which was the original category of the program, can receive higher amounts. But the average student is receiving approximately \$7,400.

Scot Mussi: Who is eligible? What parents or children are eligible for an ESA in Arizona?

Jenna Bentley: A couple of years ago, we expanded the program so that it is universal. Every child here in Arizona is now eligible to be a student on the ESA program.

Scot Mussi: How popular has the program become? When was it expanded?

Jenna Bentley: The universal expansion took place in 2022. Prior to that, we had roughly 50,000 children on the ESA program, and most of those were special needs students because it was limited to certain categories. Once we opened it up to universal eligibility, we just broke over 100,000 children currently on the program.

Scot Mussi: That sounds like a huge success. Out of how many students in Arizona would even be eligible?

Jenna Bentley: All of them would be eligible. I do not have the exact statewide K-12 number off the top of my head, but every child here would be eligible for an ESA scholarship.

Scot Mussi: So, we have this program. It was made universal, everybody can participate, and over 100,000 children are in the program. That sounds like a huge success.

Jenna Bentley: It has been. Arizona really pioneered the notion of school choice. We developed charter schools, the STO program, and then ESAs. We have been leading the nation, and I think one of the best measures of success is hearing from the ESA parents themselves. They have incredible and unique stories about how this program has helped their children.

Common Misconceptions About ESAs

Scot Mussi: Are there a lot of low-income families and minority families that use the program?

Jenna Bentley: For sure. There is a misnomer that this only helps rich kids attend schools like Brophy, and that is absolutely not true. As we mentioned, the average ESA amount is about \$7,400. The average private school tuition in Arizona is generally between \$5,000 and \$8,000. So in many situations, the ESA can fully or almost completely cover tuition at a private school in Arizona. That is huge for children coming from lower-income families because it makes that option available to them.

Scot Mussi: Out of curiosity, you said the average ESA is around \$7,400. How much does a district school get on average in Arizona for K-12 funding? If that parent sent the child to the local district school, how much would that district school receive to educate that child?

Jenna Bentley: It costs the Arizona taxpayer approximately \$16,000 per district-school student. So the ESA program is roughly half of that.

Scot Mussi: That is important. If a parent who is using an ESA changes their mind and sends the child back to the district school, taxpayers would be on the hook for more than double what they are currently paying through the ESA program.

Jenna Bentley: Correct. That is another misnomer of the program. Critics say it is bankrupting the state, but it is actually saving the state money. It is either roughly \$7,400 through the ESA program to educate a child or around \$16,000 to educate that child in a district setting.

Scot Mussi: So what is the opposition to this? For years there has been a debate over expanding school choice, but there is always this grind of opposition. It seems mainly driven by people associated with school districts or the unions that represent teachers and others within the district system. Is that still the primary opposition to ESAs, and what are their main arguments?

Jenna Bentley: Yes, that is definitely the driving source. We see a lot of material coming from the teachers union itself, and then that misinformation gets funneled down to their members. Some teachers may simply not know and are trusting the information that their union or district leaders are giving them. But I cannot tell you how many times we see articles, even from local media, that are completely false or that use mental gymnastics to claim the problem is the ESA program. Every issue that has ever happened to a district somehow gets blamed on ESAs, and that is just not true.

Scot Mussi: The primary opposition comes from groups that do not want to see anyone go anywhere other than a district school. That seems to be the motivation. It is primarily driven by the

unions or by people who financially benefit from the district-school model and want to make sure the money goes only into district schools.

Jenna Bentley: Yes, one hundred percent.

Fraud Claims, Transparency, and Accountability

Scot Mussi: More recently, the attacks have pivoted. The claim used to be that ESAs would hurt district schools. Now the debate has shifted toward alleged fraud in the ESA program. That has taken up a lot of the oxygen locally. Opponents now say this expanded program is riddled with fraud. There appears to be one reporter at one news outlet who seems obsessive about it. Let's separate fact from fiction. These same groups that clearly do not like the program now say they are worried about fraud and need to fix it. They claim there is up to 20% fraud in the program. True or false?

Jenna Bentley: Categorically false. What happened is that the Arizona Department of Education released information because there is actually a lot of transparency around the ESA program. Parents making purchases must have receipts. They must categorize the purchase. Everything has to be submitted. We know down to the penny where ESA dollars are going. I would love to see that kind of transparency at the district level.

Scot Mussi: So you can see every dollar spent through the ESA program. Do K-12 district schools have that same kind of transparency?

Jenna Bentley: No.

Scot Mussi: Is there any government program that has that level of transparency? SNAP, food stamps, welfare programs - is there any other program where we can go dollar for dollar and see how the money is spent?

Jenna Bentley: I wish there was. I think we would have a more responsible spending mechanism in government if there were. But no. When we compare fraud and misspending levels between the ESA program and other programs, I wish other programs like Medicare and Medicaid would set the example that ESAs have.

Scot Mussi: So what was the actual finding? There were reviews or audits of the program. What are the actual numbers for actual fraud identified?

Jenna Bentley: To clarify what the media received: ADE went through and took a group of expenses that had already been flagged as suspicious. This was not a review of every expenditure in the program. It was a subset of purchases they had already said might warrant an additional look. Within that flagged subset, they said that roughly 20% of those already-flagged purchases involved misspending. It was intellectually dishonest for the media to say the entire program is 20% fraud. That is not true. It was a subset of already-flagged expenditures.

Scot Mussi: And how much actual money are we talking about within that flagged misspending?

Jenna Bentley: It is a small amount compared to the overall program. I can get the exact dollar amount, but the bigger point is that when we looked at the whole program, there is also a distinction between misspending and fraud. The two are separate. For example, parents may have to buy from a curriculum and a list of approved items. A couple years ago, a mother with a child with dyslexia bought a curriculum and then bought supplemental graphing paper that went with it. It turned out that the paper was not actually part of the curriculum itself, so that was flagged as misspending. The left then treated that as fraud or malicious fraud. That is not what it was. Then there is actual fraud. When looking at all transactions, the data showed about 2% misspending, and within that, only a very small portion was actual fraud - less than 1%, less than half a percent. The Department of Education even released a statement asking for a retraction from local media to clarify the numbers that were being misrepresented. They compared it with other programs: food stamp fraud around

9.3%, unemployment insurance around 14.4%, Medicaid around 7.4%, and the ESA program around 0.3% when looking at actual fraud numbers.

Scot Mussi: That is insane. None of these other programs get the same treatment that the ESA program gets. When actual fraud is found, those parents can be investigated or referred to the Attorney General's Office. Is there anybody in the school choice world who supports fraud?

Jenna Bentley: No. No one is saying fraud is a good thing. We already have statutes in place saying you cannot buy things like video game consoles and cell phones. The legislature has already addressed some of those items in state statute. The Board of Education, which produces the ESA handbook, has rules that further define what can and cannot be bought. It is categorically untrue when opponents say this is an unrestricted free-for-all where parents can do whatever they want. Parents have strict guidelines. They have to document every penny they spend. The fact that we know about cases of misspending shows the system is working and is transparent. If you misspend, you may have to repay those funds. If it is egregious, you may get referred to the Attorney General's Office.

Scot Mussi: So if someone commits fraud, they can be liable for prosecution. Even in the case of misspending, parents can be notified and required to repay the funds.

Jenna Bentley: Yes. They have to repay the funds.

The Double Standard Between ESAs and District Schools

Scot Mussi: In the case of K-12 districts, if someone is found to be misspending funds, districts do not have that same level of transparency. Are school board members or administrators personally responsible to repay money that they misspend?

Jenna Bentley: No. We saw Isaac Elementary School District essentially bankrupt itself and become unable to sustain its own budget. It had to lay off teachers. There was a controversial move by another school district to help buy it out. Where are the criminal charges against administrators from Isaac? There were accusations of fraud there, and the amount was almost \$20 million.

Scot Mussi: That is an insane number.

Jenna Bentley: We do not know and probably will never know, even with forensic audits, because school districts are allowed to use broad bucket categories for expenses. We may never know where all those taxpayer dollars went, and there will probably be no full accountability to taxpayers.

Scot Mussi: In the case of Isaac Elementary, that spilled into Tolleson because Tolleson gave them a bailout that likely was not legal. They loaned or granted money to Isaac, and then Tolleson had its own problems. It wanted to repurpose a voter-approved bond to build a big indoor dome football stadium that was never part of the bond itself. Apparently, they wanted to spend \$80 million on that. School districts play bait-and-switch with bonds and use money in ways voters never authorized. Unlike the ESA program, there is no mechanism for voters to claw back bond money that gets misspent or for administrators to be personally responsible. There is clearly a double standard. The unions and district-school advocates do not seem to care, but they are leveling these attacks at the ESA program when it comes to misspending, abuse, and fraud.

The Proposed ESA Ballot Initiative

Scot Mussi: The policy debate now seems likely to become a political battle in November through a potential ballot initiative. A measure was introduced a couple months ago that claims to put "guardrails" and "accountability" on the program. Jenna, can you tell us about it?

Jenna Bentley: Yes. This was filed by Save Our Schools Arizona. They are notoriously anti-school choice. Even when the ESA program was limited to special needs students, they opposed ESAs. They were obviously unhappy when universal eligibility passed. They have now filed what we view

as a dangerous and destructive initiative. In Arizona, a group can collect signatures, often using paid circulators outside grocery stores, and if they get enough signatures, the measure qualifies for the ballot as a proposition. I think they have conceded that it would be political suicide to straight dismantle the program now that more than 100,000 students are on it. So they have shifted tactics. Instead of openly dismantling it, they are trying to regulate it to death. If this passed, I think close to half of the children on the program could immediately be kicked off.

Scot Mussi: Fifty thousand kids could be kicked off the program. That sounds like gutting it to me.

Jenna Bentley: It is pretty close to that. It would also make it difficult for children to get back on the program or subscribe to it. They say they are trying to thread the needle and stop fraud, but we already have statutes preventing fraud. Fraud is not allowed, and if it happens, people can be prosecuted. This is very much a Trojan horse. The real effort is to dismantle the program and make it unworkable and unusable for Arizona children.

Scot Mussi: So they are trying to sell this as an accountability and fraud measure, even though the same unions and Save Our Schools groups have opposed school choice and ESAs for years and argued the program should not exist or expand at all. Now they are claiming they simply want to make sure the program functions well and has guardrails.

Jenna Bentley: That is their pitch. One of the scary provisions says that if you are a private school seeking ESA students, you now have to be subject to all these testing standards used by the districts that are failing the district schools. Our reading proficiency is abysmal. Reading and math skills in district schools have not improved for decades, and they want to force those standards onto private schools.

Scot Mussi: We have to get back to the issue of kicking children off the program. Normally, when major changes are made at the legislature that will directly impact people, there is some kind of grandfather clause or exemption for people already doing something so they are not harmed by the change. They did not include any grandfathering. Families currently in the program could be told next year that they are done.

Jenna Bentley: Yes. One of the most egregious provisions is the income cap. If a family has household income of about \$150,000 or more, they are out of the program. That fails to consider dual-income parents. You could have a nurse and a firefighter who are simply middle class.

Scot Mussi: So this is not individual income. It is household income.

Jenna Bentley: Correct.

Scot Mussi: If you are married and both individuals make around the median salary in Maricopa County, you could be done. If you have three children, and the ESA is \$7,400 each, that family is basically facing a \$20,000 hit if they want to stay at their school, or their children get kicked back into a district school where taxpayers pay about \$16,000 per student. How is that a good deal for taxpayers?

Jenna Bentley: It is a terrible deal for taxpayers, and anyone with a basic understanding of economics can see that. These are not just Goldwater numbers. They come from sources like the treasurer's office, the Joint Legislative Budget Committee, and auditor general reports.

Impact on Families and Private Schools

Scot Mussi: What about the private schools? The ESA expansion happened several years ago, so this is not brand new. Some private schools have operated for years with ESA families attending their schools. The initiative could regulate them directly, and if they lose ESA families, the disruption could be huge.

Jenna Bentley: Private schools would probably just stop taking children on the ESA program if these requirements became too burdensome.

Scot Mussi: If even 10% of students at a private school use ESAs and a portion of them lose their ESAs, that could affect the school's entire operation. It could disrupt students who do not even use an ESA.

Jenna Bentley: That is another point we have not heard enough. When universal expansion was being debated, opponents claimed private schools would use it as a cash grab and raise tuition to capture ESA dollars. We have not really seen that happen. Some schools have had gradual increases for inflation, but we have not seen schools automatically jump tuition to the top of the ESA amount. Many private schools have worked with parents when the ESA does not cover the full tuition amount, helping them with grants, scholarships, or waived fees.

Scot Mussi: Imagine if somebody ran a bill at the legislature or put something on the ballot saying a district school would no longer receive funding for a portion of its students. The districts would be unglued. There is no way something like that would pass because everyone would see the unfairness and would at least protect those schools from a sudden hit. But that protection is not happening here. We could see 50,000 children tossed out of the program, with downstream impacts on private schools.

Jenna Bentley: In the way they drafted it, the initiative specifically targets the universal expansion. We have talked with families who have used the universal program for several years. The thought of taking their child out of a school where they have grown, adjusted, and succeeded, and then sending them back to a C-rated district, is scary for parents. This is not just politics. School choice is used by people across the aisle. Governor Katie Hobbs attended a private school. School choice is nonpartisan to us, and for these families, this is about their livelihoods.

Scot Mussi: Who is funding this initiative? They are paying for signatures. Who is paying for it?

Jenna Bentley: Save Our Schools has partnered with the Arizona chapter of the National Education Association. That means the unions, and then they receive funding from the national NEA. Once again in Arizona, not just in education but in many areas, we see out-of-state unions that do not live here buying their way onto our ballot and implementing terrible policy that we are then stuck with.

What Supporters Can Do Next

Scot Mussi: What are the next steps for parents, schools, and everyone who could be impacted by this initiative that is now on the streets collecting signatures? What can be done to counteract the measure, not just from qualifying for the ballot but potentially passing if it makes it there?

Jenna Bentley: It is definitely all hands on deck. If people are interested, they can go to AZLovesESAs.com. It has resources and explanations about what is going on. If you are out and about and see someone collecting signatures, decline to sign and explain it to your friends. The media has been galvanized on the left and has become their political puppet here, so even people who know what I do will come up to me and say they heard the program has all this fraud. We have to take time to correct that and explain that it is not accurate. For Goldwater's part, we will fight this every step of the way. If there are legal challenges to make with the signatures, we will be there. If there is anything problematic with the language, we will be there. We have stood by Arizona parents for decades, and we will continue to do so. We stand by the ESA program 100%.

Scot Mussi: That is great to hear. What was that website again?

Jenna Bentley: AZLovesESAs.com. People can also visit GoldwaterInstitute.org for more information about what we are doing.

Scot Mussi: Jenna, thank you so much for joining us today and giving us an update on what is happening in this ESA fight. This information will be helpful for everyone wanting to educate neighbors, friends, and fellow voters in case this thing makes the ballot. The biggest problem with the measure is the impact on existing children and just tossing them off the program. That would be totally devastating. Thanks again, Jenna, for joining us today. To everyone listening, thank you again

for joining us here in The State Room, a podcast dedicated to discussing the key issues and events that will define the future of our state and keep Arizona free. Thank you again for joining us.