

Fiscal Note

BILL # SB 1131

TITLE: empowerment scholarship accounts; qualified students

SPONSOR: Rogers

STATUS: As Introduced

PREPARED BY: Patrick Moran

Description

The bill would expand eligibility for Empowerment Scholarship Account (ESA) program to include children of veterans, police officers, firefighters, paramedics, emergency medical technicians (EMTs), and licensed or certified health professionals.

Estimated Impact

We estimate the bill would increase K-12 Basic State Aid expenses associated with ESA awards by \$1.5 million in FY 2023, \$3.1 million in FY 2024, and \$5.9 million in FY 2025. The cost could be lower or higher depending on the actual participation rates from newly eligible groups, which is uncertain.

Analysis

The bill would expand ESA eligibility to children meeting any of the following criteria:

- Has parents who are veterans. According to data from the National Center for Veterans Statistics, approximately 5.6% of Arizona's adult population aged 30-49 are veterans.
- Has parents who are peace officers, firefighters, emergency medical technicians, or paramedics. According to data from the federal Bureau of Labor Statistics (BLS), an estimated 24,710 Arizonans in the labor force in 2019 were listed with those occupations. The 24,710 represents 0.9% of the state labor force.
- Has parents who are licensed or certified health professionals. According to BLS data, an estimated 256,030 Arizonans were listed with a health occupation that may include licensure or certification. The 256,030 represents an additional 9.0% of the labor force.

The above totals suggest that up to 15.5% of Arizona adults may meet the eligibility criteria in the bill. There is likely, however, some overlap between the groups (e.g. veterans who are also licensed health professionals). As a result, we assume that the gross number of school-age children with parents meeting the eligibility categories under the bill would be 15%, or approximately 167,300 public school students.

The net increase in eligibility would be lower, however, because some of the 167,300 students would already be eligible under existing ESA eligibility categories (e.g. is a student with a disability, resides within the attendance boundaries of a D or F school, etc.). Given that approximately 23% of the current public school population is eligible for the ESA program, the net increase in eligibility under the bill would be 128,800 ($77\% \times 167,300 = 128,800$).

We estimate that the ESA participation rate among currently eligible students is 4.2%. Assuming the participation rate is similar among the newly eligible students in the bill would imply that participation in the ESA program would increase by 5,410 enrollees relative to current law ($4.2\% \times 128,800 = 5,410$). Given that the average cost of a public school student switching to the ESA program would be approximately \$529 in FY 2023, the 5,410 enrollees would increase Basic State Aid

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costs on net by \$2.9 million annually. We expect that the \$2.9 million cost, however, would only materialize over the course of several years as parents become aware of their child's eligibility for the program. As a result, we assume the full annual cost would be reached in 5 years and would increase in equal increments, which would result in a net Basic State Aid cost increase of \$572,000 in FY 2023, \$1.1 million in FY 2024, and \$1.7 million in FY 2025.

There would be additional costs for children of veterans who are currently attending private school. Such children would not be subject to the requirement to have first attended a public school. Assuming that the share of children in private school with parents who are veterans is the same as veterans' share of the adult population aged 30-49 (5.6%), there would be up to 3,059 children of veterans currently enrolled in a private school in grades 1-12. Assuming that 23% of such children are already eligible for an ESA under existing categories, the net increase in ESA eligibility would be 2,355.

The 2,355 newly eligible private school children of veterans, however, would likely not shift their enrollment to the ESA program immediately either because they already receive a scholarship from a School Tuition Organization (STO) (private school students cannot simultaneously receive a STO scholarship and an ESA) or because they initially lack awareness of their eligibility. Over time, however, we expect participation would increase given the higher average dollar value of ESA awards in comparison with STO scholarships. Consistent with prior analyses, we therefore assume that private school children of veterans would participate in ESAs at a rate of 5% in FY 2023, 10% in FY 2024, and 20% in FY 2025. The associated cost would be \$820,000 in FY 2023, \$1.6 million in FY 2024, and \$3.3 million in FY 2025.

There would also be an increase in eligibility among private school kindergartners who never attended a public school. The 128,800 net increase in ESA eligibility among current public school students represents 11.5% of the public school population. If eligibility increased at a similar rate for private school kindergartners, we estimate the net increase would be approximately 523 pupils. Assuming the same participation rates as children of veterans above, the associated cost would be \$91,000 in FY 2023, \$364,000 in FY 2024, and \$911,000 in FY 2025.

Table 1 provides a summary of the fiscal impact of the bill below by provision.

Table 1			
SB 1131 General Fund Impact Summary			
(\$ in Millions)			
	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
ESA Eligibility Expansion – Current Public School Students	0.6	1.1	1.7
ESA Eligibility Expansion – Private School Children of Veterans	0.8	1.6	3.3
ESA Eligibility Expansion – Private School Kindergartners	<u>0.1</u>	<u>0.4</u>	<u>0.9</u>
	1.5	3.1	5.9

Local Government Impact

The bill could impact school district property tax collections to the extent that students shift their enrollment from non-state aid districts to the ESA program.