

Education Choice at a Crossroads: A Survey of Arizona Families Who Use Empowerment Scholarship Accounts

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KEY TAKEAWAYS

Arizona's education savings accounts (ESAs) are extremely popular with beneficiaries—the high levels of complaints concern program administration.

The vast majority of ESA parents report having encountered problems when using their ESAs in the past year.

Arizona should reinstate debit cards, eliminate the supplementary-materials curriculum requirement, and pay approved vendors immediately.

Arizona's trailblazing education savings accounts (ESAs) are at a crossroads. Although the ESA policy is highly popular with families who benefit from it, the same families are also highly dissatisfied with the way it is administered.

Enacted in 2011, Arizona calls its education savings accounts Empowerment Scholarship Accounts.

With an ESA, participating Arizona parents receive 90 percent of the state funds that would otherwise have been spent on their child in public school via a restricted-use savings account. Parents can use those funds to pay for private school tuition, online learning, special education services and therapies, private tutors, textbooks, curricula, and a host of other education-related products and services. Unused funds can be rolled over from year to year and can be rolled into a college savings account. ESAs are among the most flexible forms of education choice policies yet devised.

This paper, in its entirety, can be found at <https://report.heritage.org/bg3881>

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- **Arizona’s ESA policy is extremely popular with ESA families**—99 percent of respondents whose children use an ESA say they support the ESA policy, including 94 percent who “strongly” support it.
- **Arizona ESA families are dissatisfied with the Arizona Department of Education’s administration of the ESA program**—66 percent of respondents are dissatisfied with the department’s administration of the program, including 22 percent who are “very dissatisfied.” By contrast, only 18 percent of respondents are dissatisfied with ClassWallet, the third-party vendor responsible for the ESA program’s financial management platform.
- **Arizona ESA families have a litany of complaints about the department’s administration of the ESA program**—the most common complaints concern long wait times for expense reimbursements (86 percent) and approvals (77 percent), as well as difficulties reaching a department employee (64 percent) and receiving answers to questions about ESA issues (63 percent).
- **Arizona ESA families strongly support reintroducing ESA debit cards**—88 percent of respondents said they would prefer to have access to a debit card to make purchases using their child’s ESA funds, rather than only using ClassWallet’s online payment system or paying out of pocket and submitting a claim for reimbursement.

Prior surveys of Arizona ESA families have shown high levels of satisfaction, including two surveys conducted by the Arizona Department of Education after ESA eligibility was expanded to all K–12 students, but before the department stopped issuing new ESA debit cards. In early 2023, the department stopped issuing new ESA debit cards in favor of ClassWallet’s online payment system. The department could address the dissatisfaction among ESA families with the administration of the program by making a few policy changes.

Most important, reinstating ESA debit cards, along with risk-based auditing, would address the main concerns expressed by ESA families while maintaining a high level of financial accountability to taxpayers. With restricted-use ESA debit cards, families would be able to purchase educational goods and services from eligible vendors immediately, instead of waiting for weeks or even months for approvals or reimbursements.

The department should also reverse its recent decision to require that parents submit a curriculum along with every request to purchase supplementary materials. This new requirement has no basis in the ESA statute, which has never been interpreted in this manner by any prior administration, nor by the State Board of Education. The requirement is arbitrary and capricious and places an unnecessary burden on families while significantly slowing down the ESA approval and reimbursement process.

K-12 Education Savings Accounts in Arizona and America

ESAs empower parents with the freedom and flexibility to customize their children's education. Arizona became the first state in the nation to enact an ESA policy in 2011 when Governor Jan Brewer (R) signed the Empowerment Scholarship Account program into law. At the time, ESA eligibility was limited to students with special needs. In 2022, Governor Doug Ducey (R) signed legislation expanding ESA eligibility to all K-12 students.

Although often erroneously called “vouchers,” ESAs differ from school vouchers in important ways. Vouchers are like coupons that parents can redeem at a particular school in a particular year to cover private school tuition. By contrast, ESAs are spending accounts that families can use for a wide variety of education expenses, including, but not limited to, tuition. Additionally, families can save unused ESA funds for later expenses. Some states have “ESA-style” policies that have some features of vouchers and some features of ESAs. For example, ESA-style policies in Alabama and Iowa require students to be enrolled in a private school, while Utah's ESA-style policy does not permit families to roll over unused funds from year to year. Nineteen states nationwide now have ESAs or ESA-style policies.

In Arizona, parents can use ESAs to pay for private school tuition, textbooks, online courses, curricula and supplementary materials, educational therapies, college tuition, achievement tests, and more.¹ The Arizona ESA's financial management platform is ClassWallet. Parents can access their ESA funds to pay for eligible expenses on ClassWallet's website. In the ClassWallet Marketplace, ESA users can place orders for eligible expenses with various online vendors, such as Amazon. For schools and other service providers that are registered with ClassWallet, ESA users can pay them via Direct Pay. For other schools and service providers, ESA users can pay out of pocket and submit their receipts for reimbursement on the ClassWallet website. Additionally, some ESA parents pay for eligible educational goods and services using ESA debit cards, although these cards are being phased out. The department stopped issuing new cards in February 2023.

TABLE 1

ESAs and ESA-Style Policies in the U.S.

State	Policy	Year Enacted	Enrollment (2023–2024)
Alabama	CHOOSE Education Savings Accounts	2024	n/a
Arizona	Empowerment Scholarship Accounts	2011	70,925
Arkansas	Educational Freedom Accounts	2024	n/a
Florida	Family Empowerment Scholarships	2014	219,586
Georgia	Georgia Promise Scholarships	2024	n/a
Indiana	Education Savings Accounts	2021	412
Iowa	Education Savings Accounts	2023	18,893
Louisiana	Giving All True Opportunity to Rise (GATOR) Scholarships	2024	n/a
Mississippi	Equal Opportunity for Students with Special Needs Program	2015	381
Missouri	Empowerment Scholarship Accounts	2021	970*
Montana	Special Needs Equal Opportunity Education Program	2023	n/a
New Hampshire	Education Freedom Accounts	2021	4,770
North Carolina	Education Student Accounts	2021	3,355*
Oklahoma	Parental Choice Tax Credit	2023	n/a
South Carolina	Education Scholarship Trust Fund Program	2023	n/a
Tennessee	Individualized Education Accounts and Education Savings Accounts	2015	2,310
Utah	Utah Fits All Scholarships	2023	n/a
West Virginia	Hope Scholarships	2021	5,791
Wyoming	Education Savings Accounts	2024	n/a

* Figures for 2022–2023

SOURCE: EdChoice, “The ABCs of School Choice, 2024 Edition,” pp. 16–49, <https://www.edchoice.org/engage/pre-view-of-2024-abcs-of-school-choice-available-now/> (accessed December 13, 2024).

The Arizona Department of Education’s latest quarterly report to the governor and the state legislature reported 74,578 students in the ESA program, up from 70,925 the previous year. Of those, 13,446 students were enrolled under the “disability” or “preschool–disability” eligibility categories, indicating that at least 18 percent of ESA students have disabilities.² By contrast, about 14 percent of students in Arizona’s public district schools

have disabilities.³ Among ESA students with a disability, a majority (53 percent, nearly 7,100 students) have an autism diagnosis.⁴

ESA students receive 90 percent of the state's portion of per-pupil funding, which is typically about \$7,409 for students without special needs.⁵ By contrast, Arizona's public schools receive \$15,102, on average, from state, federal, and local revenues.⁶ Students with special needs receive funds according to their specific disabilities. The latest quarterly report indicated that 1,344 ESA students with disabilities received between \$10,000 and \$30,000 during the 2023–2024 school year, and 6,842 ESA students with disabilities received more than \$30,000.⁷

An increasing number of ESA students switch from public schools. As the most recent quarterly report notes, among “universal-eligibility students in grades 1–12 enrolling in the ESA program in fiscal year (FY) 2024, 47.6 percent of them attended public school immediately prior to enrolling in the ESA program.”⁸ The report notes that this trend represents “almost a 27 percentage-point increase over the number of ESA students in grades 1–12 who attended public school immediately prior to enrolling in the ESA program” in FY 2023.⁹ Additionally, 6,600 ESA students were enrolled in kindergarten (8.8 percent) and 1,118 children with disabilities were enrolled in preschool (1.5 percent) in FY 2023.¹⁰ In other words, in FY 2023, a majority (57.9 percent) of ESA students had either switched from a public school in the prior year, or were enrolled in preschool or kindergarten.

Previous Arizona ESA Surveys

Arizona's ESA policy has long enjoyed high levels of satisfaction among the families who benefit from it. In 2013, when the ESA program was limited to students with special needs, survey respondents unanimously expressed satisfaction with the program, including 71 percent who were “very satisfied.”¹¹ The survey polled 179 parents of ESA students who belonged to a Yahoo! message board for ESA families, of whom 67 responded.¹²

In 2019, a survey of Arizona parents found that 69 percent of respondents who were using the ESA were satisfied with the program, including 35 percent who were “very satisfied.”¹³ At the time, about 22 percent of K–12 students in Arizona were eligible for an ESA, including students with special needs, students assigned to low-performing district schools, the children of active-duty military personnel, students on Native American reservations, and children adopted through the state's foster care system, among others.¹⁴ The survey polled Arizona parents of K–12 students and received 3,577 responses, of which 142 respondents indicated that their son or daughter was currently enrolled in the ESA program.¹⁵

The Arizona Department of Education also regularly conducted satisfaction surveys, a practice that was discontinued in 2023, after Tom Horne was sworn in as superintendent of public instruction. The most recent surveys by the department were in Quarter 4 of FY 2022 and Quarter 1 of FY 2023 under Superintendent of Public Instruction Kathy Hoffman. When combining respondents who answered the survey on the department's website with those who answered after using the department's ESA help desk, the surveys received a total of 233 respondents in FY 2022 Q4 and 250 respondents in FY 2023 Q1.¹⁶ When asked about their overall satisfaction with the ESA program, 70 percent were "satisfied" or "very satisfied" in FY 2022 Q4, and 67 percent were "satisfied" or "very satisfied" in FY 2023 Q1.¹⁷

Respondents to the department's surveys were also largely satisfied with how the department administered the program. Of the 137 respondents to the help desk survey in FY 2022 Q4, 75 percent were "satisfied" with the timeliness of the department's response, 74 percent were "satisfied" with the completeness of the response, 73 percent were "satisfied" with the quality of the response, and 71 percent were "satisfied" with the helpfulness of their response. Satisfaction levels improved somewhat in the subsequent survey. Of the 190 respondents to the help desk survey in FY 2023 Q1, 81 percent were "satisfied" with the timeliness of the department's response, 74 percent were "satisfied" with the completeness of the response, 76 percent were "satisfied" with the quality of the response, and 75 percent were "satisfied" with the helpfulness of the response.

2024 Arizona ESA-Satisfaction Survey Methodology

This survey was conducted between September 10 and 19, 2024, using Survey Monkey—the same platform that the Arizona Department of Education used to conduct its own ESA-satisfaction surveys.

Without access to the contact information for all ESA participants it was impossible to reach the entire population of ESA families, so the survey relied on a convenience sample. Participants in the long-standing ESA Families Facebook group were invited by a group moderator to provide their e-mail addresses in a pre-survey. ESA families on the mailing list of Love Your School—a local nonprofit that helps families to find the education options that work best for their children—were also invited to provide their contact information in the pre-survey. Starting on September 10, the 469 respondents who had filled out the pre-survey were invited via e-mail to participate in the full survey.

Of the 469 respondents who provided their e-mail addresses in the pre-survey, 277 also filled out the ESA-satisfaction survey, a response rate

of 59 percent. Of those, four were screened out when they indicated that they were not the parent or legal guardian of at least one child currently using the ESA program, leaving 273 respondents. Of those, 267 filled out the entire survey and six respondents filled out part of the survey. The number of respondents to this survey exceeds the number of respondents to the two most recent surveys conducted by the Arizona Department of Education (233 respondents in FY 2022 Q4 and 250 respondents in FY 2023 Q1).

2024 Arizona ESA-Satisfaction Survey Results

Following are survey participants' responses to why and how families use the ESA program, their level of support for the ESA program, level of satisfaction with administration of the program, level of support for the third-party ClassWallet, suggestions for improvement, and closing thoughts.

Why and How Families Use the ESA Program. Families have many different reasons for participating in the ESA program. When asked to list their top three reasons, about seven in 10 respondents said they used an ESA to customize their children's education. Nearly half said they used their ESA for home education. Other popular reasons for choosing to participate in the ESA program included access to higher-quality education (36 percent), extracurricular activities (21 percent), morals and character education (18 percent), religious environment and instruction (18 percent), and student safety and discipline (18 percent).

Fewer than one in 10 respondents participated in the ESA for smaller class sizes (9 percent), specific programming, such as science, technology, engineering, and math (STEM) or art and drama (7 percent), higher standardized test scores (1 percent), or diversity (fewer than 1 percent).

Among the 10 percent of respondents who answered "Other," many highlighted problems they had with their local district school, especially concerning special needs, including:

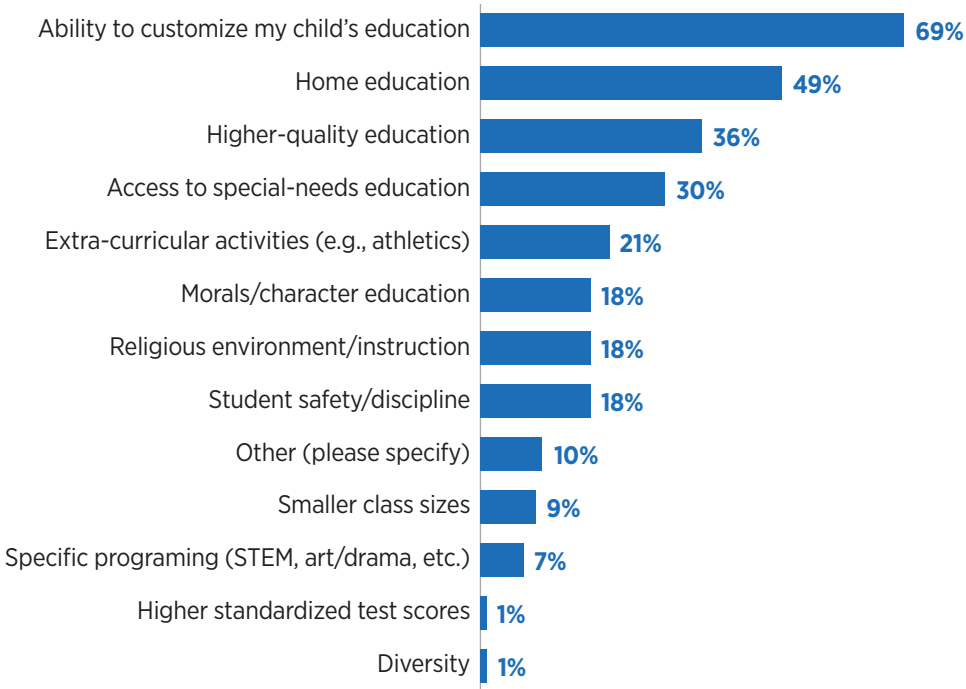
- "Lack of special education in public school."
- "I was told my children wouldn't get a free and appropriate education through the school district."
- "Public school was not able to provide an unrestricted environment for disabled child."
- "My [autistic] son was traumatized in public school. He refuses to go back."

CHART 1


Reasons for Participating in Arizona’s ESA Program

Q: “What are your primary reasons for participating in the ESA program? Choose up to 3 options.”

SHARE OF RESPONDENTS SELECTING OPTION



SOURCE: SurveyMonkey survey conducted September 10–19, 2024, consisting of 273 respondents with a margin of error of 5.9 percentage points and a confidence level of 95 percent.

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- “Public school made my autistic then 6 year old want to die. The local public school refused to give my autistic [ADHD] child services because he was smart.”
- Others focused on the poor quality of education in the district school system or expressed concerns with the values taught there, including:
- “[U]nqualified and untrained teachers... Our district test scores are 50–60% proficient.”

- “[E]xposure to data mining, CRT [critical race theory], SEL [social-emotional learning], DEI [diversity, equity, and inclusion], gender issues, sexually explicit materials, etc.”
- “My student begged to be homeschooled after [a] 5-year pattern of concerning (inappropriate material at school, grooming behaviors, far-left Marxist ideology, lack of respect toward students/families, issues with IEP process and ACT/SAT administration) behavior of school administrators and teachers.”

Other respondents, while not sharing specifics, said that the district school system failed to meet their needs:

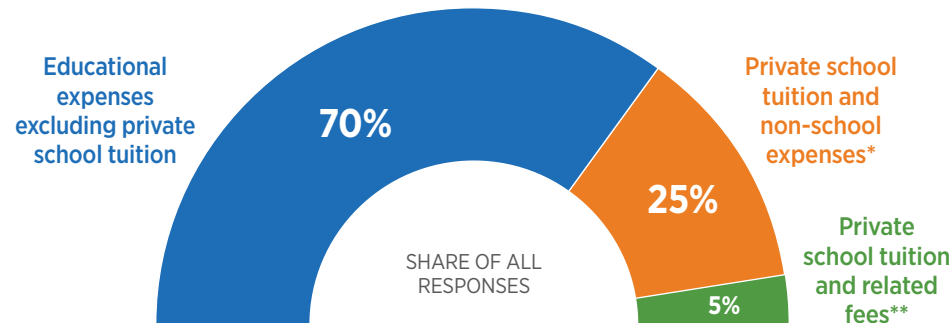
- “The public school failed my children.”
- “We were failed by the public school system so I took my children’s education into my own hands.”
- “Public school cannot offer what my daughter needs.”
- The “public school in my city is HORRIBLE.”

Survey respondents indicated a high degree of education customization. About 95 percent of respondents customized their oldest child’s education using an ESA, including a quarter of respondents who said they spent their ESA funds on private school tuition and other educational expenses, and 70 percent who spent their ESA funds on various educational expenses *not* including private school tuition. Only about 5 percent of respondents said that they spent all their ESA funds on private school tuition and related fees (such as required textbooks and uniforms).

Among the 44 percent of respondents who reported that their oldest child has special needs, overall customization rates were similar to those whose oldest child did not have special needs, with just about 5 percent spending their ESA funds entirely on private school tuition and fees. However, parents of a child with special needs were much more likely to enroll that child in private school in addition to paying for non-school expenses. Nearly one-third of parents of a child with special needs said they spent ESA funds on both private school tuition and non-school expenses, compared to about one-fifth of parents of students without special needs.

CHART 2

How Arizona Families Spend ESA Funds



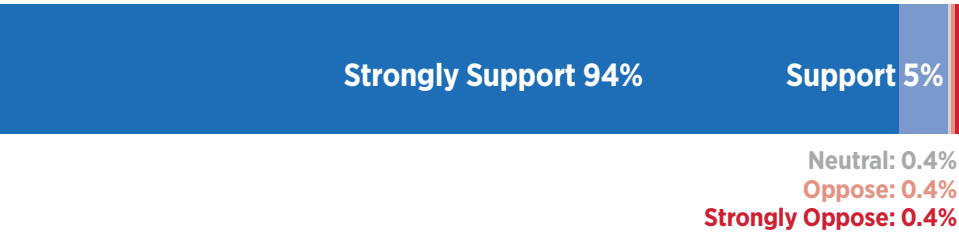
* Tutoring, online courses, homeschool materials, etc.
** Required textbooks, uniforms, etc.
SOURCE: SurveyMonkey survey conducted September 10–19, 2024, consisting of 273 respondents with a margin of error of 5.9 percentage points and a confidence level of 95 percent.

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CHART 3

Strong Support for Arizona’s ESA Program

SHARE OF ALL RESPONSES



SOURCE: SurveyMonkey survey conducted September 10–19, 2024, consisting of 273 respondents with a margin of error of 5.9 percentage points and a confidence level of 95 percent.

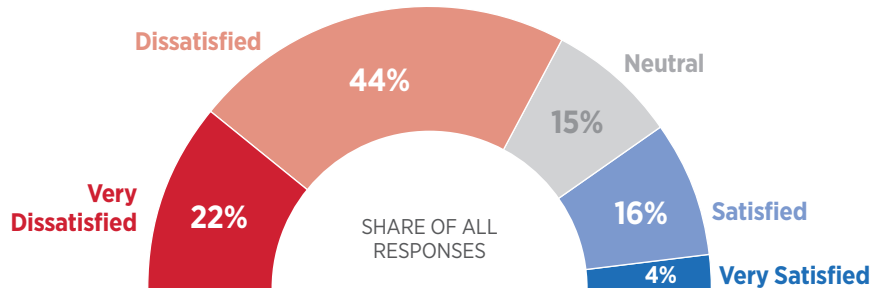
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Support for the ESA Program. Arizona’s ESA program is highly popular among the families that use it. When asked about their support for the ESA program, 99 percent of respondents expressed support for the ESA, including 94 percent who expressed “strong” support. Of the 273 respondents, only two expressed opposition to ESAs and one respondent was neutral.

CHART 4

Few Satisfied with Arizona's Administration of ESA Program

Q: "How satisfied are you with the Arizona Department of Education's administration of the ESA program?"



SOURCE: SurveyMonkey survey conducted September 10–19, 2024, consisting of 273 respondents with a margin of error of 5.9 percentage points and a confidence level of 95 percent.

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Dissatisfaction with the Arizona Department of Education's Administration of the ESA Program. Although Arizona ESA families overwhelmingly support the ESA program, they are also highly dissatisfied with how the Arizona Department of Education is currently running it. Two-thirds of respondents said they were “dissatisfied” with the department’s administration of the ESA, including 22 percent who were “very dissatisfied.” By contrast, fewer than one-fifth said they were satisfied, including fewer than 4 percent who were “very satisfied.”

The survey results appear to indicate a steep decline in satisfaction since 2023. As noted, the most recent surveys of Arizona ESA families’ satisfaction by the Arizona Department of Education were conducted under the Kathy Hoffman administration in the 2021–2022 school year (Q4) and the 2022–2023 school year (Q1), which found that 70 percent and 67 percent of respondents, respectively, were satisfied with the department’s management of the ESA program.¹⁸

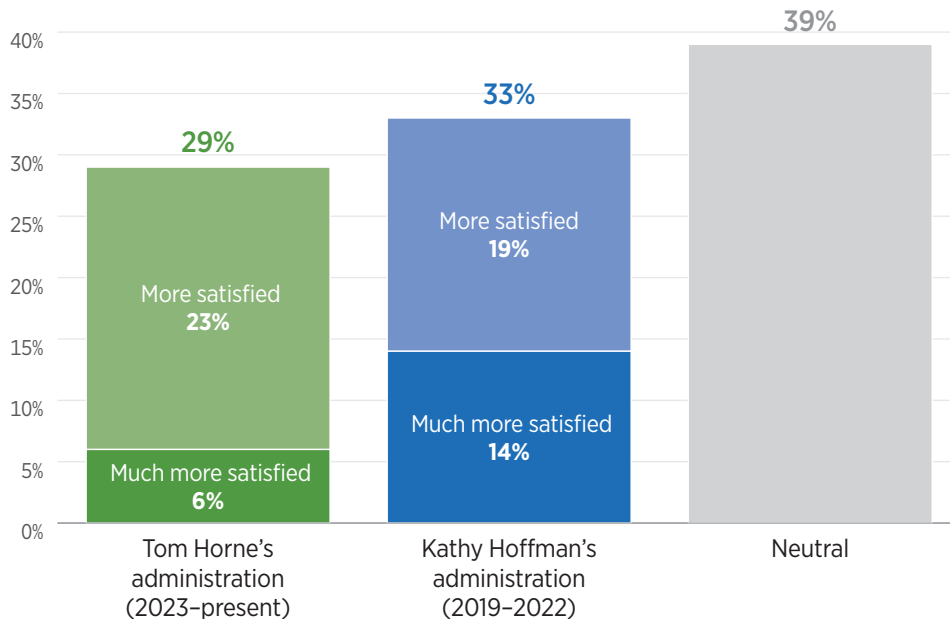
In this survey, respondents who had participated in the ESA program for three or more years were asked if they were more satisfied with administration of the ESA program under Superintendent of Public Instruction (SPI) Horne (January 2023 to present), or more satisfied when it was administered under SPI Hoffman (2019 to 2022). A plurality (39 percent) expressed that they were neutral between agency management under SPI Horne and SPI Hoffman. One-third said that they were more satisfied with

CHART 5

Arizonans' Satisfaction with ESA Administration Under Horne and Hoffman

Q: "Are you more satisfied with how the Arizona Department of Education is administering the ESA program under SPI Horne or as it was administered previously under SPI Hoffman?"

SHARE OF ALL RESPONSES



NOTE: SPI - Superintendent of Public Instruction

SOURCE: SurveyMonkey survey conducted September 10–19, 2024, consisting of 273 respondents with a margin of error of 5.9 percentage points and a confidence level of 95 percent.

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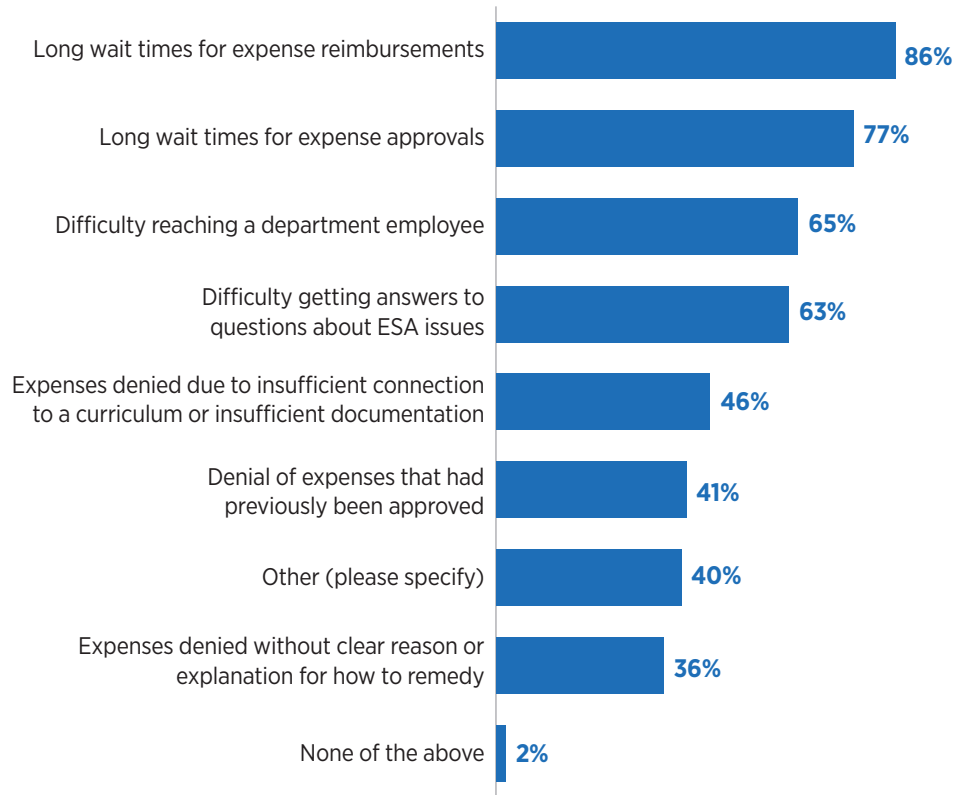
SPI Hoffman's administration of the program, compared to 28 percent who were more satisfied with SPI Horne's administration. Those expressing a strong preference were more than twice as likely to express satisfaction with SPI Hoffman (14 percent) than with SPI Horne (6 percent).

The vast majority of ESA parents report having encountered problems when using their ESAs in the past year. For a list of common complaints, only 2 percent answered "none of the above."¹⁹ The most common complaints concerned long wait times for expense reimbursements (86 percent) and approvals (77 percent), as well as difficulties reaching a department employee (65 percent) and receiving answers to questions about ESA issues (63 percent).

CHART 6

Difficulties with the Arizona Department of Education

PERCENTAGE OF RESPONDENTS SELECTING ANSWER



NOTE: Respondents could select more than one answer.
SOURCE: SurveyMonkey survey conducted September 10–19, 2024, consisting of 273 respondents with a margin of error of 5.9 percentage points and a confidence level of 95 percent.

Many respondents had issues with denied ESA expenses, including denials due to insufficient connection to a curriculum or insufficient documentation (46 percent), denials for items that had previously been approved (41 percent), and denials without clear reason or explanation for how to remedy it (36 percent).

Additionally, 40 percent of respondents listed additional challenges they faced with the department’s administration of the ESA program. One of the most common complaints, representing about 16 percent of the total, concerned inconsistent communication from department staff, including:

- “Inconsistent approval processes. Different employees required different documents for approving the same things for different children.”
- “That you receive different answers from every employee of what is approved, not approved, needs xyz documentation etc.”
- “Changing rules without communication. Having an internal list of size restrictions that aren’t shared publicly. Not keeping up with a continually updated approved list.”
- “As a parent I’m nervous to order just about anything because the department isn’t following the handbook and changing guidelines arbitrarily without notice. I don’t have time to jump through made up hoops.”
- “They got rid of the approved items list and keep changing things through email. It’s a hot mess.”

More than 10 percent of respondents expressed frustration with the new requirement that they provide a curriculum along with requests to purchase or receive a reimbursement for supplementary materials. Each such purchase must now be justified by being required or recommended by a written curriculum—including such basic items as books, pens, and paper. Earlier this year, Arizona Attorney General Kris Mayes demanded that the department adopt that requirement based on her interpretation of the ESA statute, even though it had never been interpreted that way by any prior state attorney general or education department administration, Republican or Democrat, since the program’s inception in 2011.²⁰ Indeed, as the Goldwater Institute observed in its pending lawsuit against the state seeking to overturn the new regulation, Arizona’s ESA statute “expressly allows the purchase of [supplementary] materials with ESA funds” and the “State Board of Education has likewise approved rules for the program explicitly permitting the purchase of these materials without additional documentation.”²¹

Survey respondents believed that the curriculum requirement wasted their time, contributed to long wait times from the department for approvals and reimbursements, and that the department often denied requests even though sufficient documentation had been provided. Here is a sample of their complaints:

- “We used to be able to purchase select educational materials (paper, pencils, etc.) as supplementary materials needing no documentation.

We are now required to provide curriculum for these educational materials, which is time consuming and frustrating. We should not have to justify buying paper and pencils for writing activities with a curriculum. These are common sense items and do not need a curriculum. Additionally, the ESA Department needs to hire more staff members to be able to process the high volume of orders, and we need to be able to talk to a department employee without waiting countless hours on hold on the phone.”

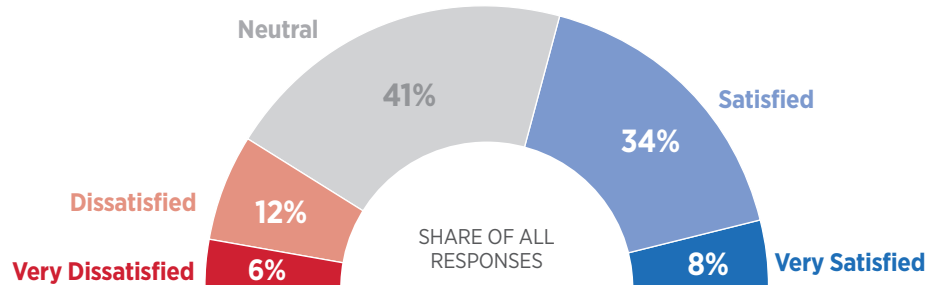
- “It feels like we are being punished for having access to the program. The new administration rules are over the top. We need [to provide a] curriculum for [purchasing] a pencil!!! It’s ridiculous.”
- “Homeschooling several children is already at least a part time job. If I have to keep submitting for reimbursements as it is currently set up, it takes HOURS! Curriculums for things like books and pencils is ridiculous!”
- “I spend way too much time using the program. I have a lot of expenses that I need to be reimbursed for but I don’t have the time to write up a curriculum just to be reimbursed. Right now, the Arizona Department of Education owes me over \$5,000 for reimbursements. My son is a [special-needs] student and these new curriculum requirements hinder my ability to educate him.”
- “Needing to provide curriculum for every supplemental material purchase has been extremely burdensome.”
- “I had a curriculum purchase denied stating that it needed curriculum even though it was curriculum.”

Some families also expressed frustration with changes in the proof-of-residency requirements, as well as issues with shipping items to their address:

- “Changing residency requirements that make it almost impossible for rural, off grid Arizona families and to prove residency, and just as challenging for those renting apartments whose rent includes utilities.”
- “Difficulty getting things shipped to me because I can’t add my P.O. box for the things that go to the post office instead of my house.”

CHART 7

Arizonans' Satisfaction with ClassWallet



SOURCE: SurveyMonkey survey conducted September 10–19, 2024, consisting of 273 respondents with a margin of error of 5.9 percentage points and a confidence level of 95 percent.

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Even the majority of satisfied ESA parents expressed frustration with the department. Among the respondents who expressed overall satisfaction with the department's administration of the ESA program, a large majority experienced long wait times for expense reimbursements (75 percent) and approvals (60 percent). Additionally, a significant number experienced difficulty reaching a department employee (43 percent) or getting answers to questions about ESA issues (30 percent).

Many satisfied respondents had issues with denied ESA expenses, including denials due to insufficient connection to a curriculum or insufficient documentation (26 percent), denials without clear reason or explanation for how to remedy the situation (25 percent), and denials for items that had previously been approved (23 percent).

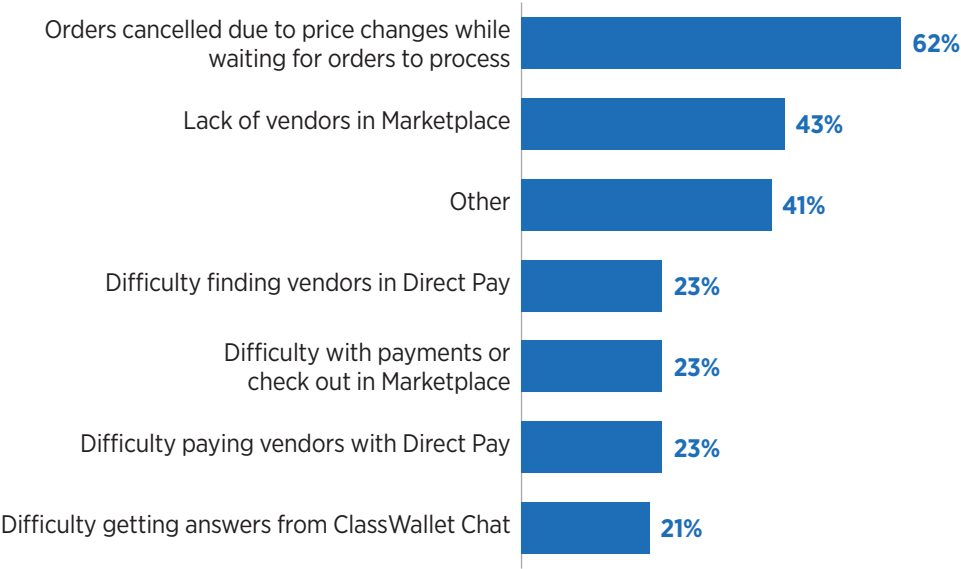
Satisfaction with ClassWallet. ESA families tended to be more satisfied with ClassWallet than with the Arizona Department of Education, though there is still much room for improvement. A plurality of 42 percent of respondents expressed satisfaction with ClassWallet, including 8 percent who were very satisfied. By contrast, 18 percent of respondents were “dissatisfied” with ClassWallet, including 12 percent who were “very dissatisfied.” Slightly more than four in 10 respondents were neutral on ClassWallet.

When asked about the challenges they faced interacting with ClassWallet, the most frequent concerned orders that were cancelled due to price changes while waiting for orders to process (62 percent) and lack of vendors in the ClassWallet Marketplace (43 percent). As one respondent explained, “The Amazon prices change constantly which causes tons of

CHART 8

Arizonans’ Challenges with ClassWallet

PERCENTAGE OF RESPONDENTS SELECTING ANSWER



SOURCE: SurveyMonkey survey conducted September 10–19, 2024, consisting of 273 respondents with a margin of error of 5.9 percentage points and a confidence level of 95 percent.

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order cancellations.” There is frequently a delay in processing orders on Amazon, and if the price changes between the time when the ESA holder submits a purchase request and when the Arizona Department of Education approves and processes it, the order will be denied because the price no longer matches. ESA families have even had orders cancelled when the price went *down*.

Between one-fifth and one-fourth of respondents also cited difficulty finding vendors in Direct Pay (23 percent), difficulty with payments or check out in the ClassWallet Marketplace (23 percent), difficulty paying vendors with Direct Pay (23 percent), and difficulty getting answers from ClassWallet Chat (21 percent). More than four in 10 respondents answered “Other” and cited additional challenges with ClassWallet, including a lack of transparency or user friendliness (9 percent), long wait times (9 percent), fees that are too high or too complicated (5 percent), and errors or glitches (4 percent). Some families expressed concern that vendors they wanted to choose would not accept ESA funds due to the difficulties they encountered

dealing with the program, particularly concerning long wait times to get paid. Here is a sample of their concerns:

- “The requirement that every vendor must be in ClassWallet was terrifying for my family. Many of my son’s therapists will not sign up because of the fees and the long waits for reimbursement. The fear of losing his best resources was horrible.”
- “Too high cost for ClassWallet. They take 2% of my tuition bills for all my kids for single transactions.”
- “The price of goods in the Marketplace is exponentially higher.”
- “[S]ome prices in the Marketplace are higher than on the vendor’s normal website. For example, a binder through Marketplace is \$5 while the same binder on the company’s normal website is \$2. That doesn’t seem right to me.”
- “Making Amazon purchases through the Marketplace ALWAYS costs more than buying with the debit card through my own Amazon account. This is a waste of funds. Also, Amazon Marketplace doesn’t provide Prime benefits but it’s a business account...it makes no sense!”
- “The fees associated with paying a vendor through ClassWallet. It wastes funding that could be used towards his reading tutor or something else that is educational. I avoid ClassWallet and pay out of pocket to avoid the price changes and delays associated with Amazon orders and wait for reimbursement.”
- “Vendors not wanting to accept Direct Pay because it is too slow for them to get paid. They ask me to pay them and seek reimbursement which is currently taking 2 months. That is unacceptable. There needs to be a timeline that is enforced like 3 to 5 days. And if they need to staff more people to meet it, then do that.”
- “We have had tutors stop accepting Direct Pay because of the wait time for them to receive payments. The money is already in my children’s accounts, and these are already pre-approved ESA/ClassWallet vendors. There shouldn’t be lag time in the vendors receiving payments.”

Some respondents expressed frustration with the ClassWallet platform itself, including:

- “Very, very poor transaction history or tracking. Also, the emails they send are nearly useless especially if you have more than one child. The reimbursement deposits are combined between children.”
- “Confusing to use. Layout is not intuitive. Reports are confusing.”
- “It could use a better search feature to find new vendors.”
- “Really hard to monitor/track expenses and see what’s going on.”
- “Direct Pay doesn’t even have contact information for vendors. I cannot tell who I am paying. I cannot tell who I might try to hire, and I cannot contact vendors listed so I can hire them.”
- “Not being able to tell if I received a refund or not. I see an email that I have a refund, but I don’t see how to see it in ClassWallet.”

Some respondents identified errors and glitches, including:

- “Dashboard doesn’t always reflect correct information.”
- “Documentation that was submitted disappears.”
- “Problems with canceled orders not showing up as refunded.”
- “Curriculum not being attached when uploaded, other glitches in the system that makes orders disappear.”
- “Vendors have had their accounts debited when they should have been credited, and then new vendors don’t want to sign up.”

Even before being asked about their suggestions for improvement, several respondents also expressed relief that they still had access to ESA debit cards, which the department has been phasing out, or that they desired to get access to debit cards:

- “Please bring back debit cards it would solve 90% of my issues with ESA.”

- “I really appreciate our grandfathered debit cards and cannot imagine having to use Direct Pay for everything.”
- “If I didn’t have the debit card to use, I would be highly dissatisfied with ClassWallet. As it is, I find the amount of time it takes to receive approved reimbursements truly terrible.”
- “I use my debit card as much as possible to avoid ClassWallet!”
- “Three of my students have the debit card. One does not. The access to educational services and curriculum is horrible without the ClassWallet debit card.”
- “Only some ESA account holders have debit cards. But parents without debit cards are waiting 3+ months to receive reimbursements for education expenses. ClassWallet and SPI Tom Horne are putting families in financial crisis with not being able to pay personal bills. This is WRONG!”

Suggestions for Improvement. Respondents were not shy about offering suggestions for improvement. More than nine in 10 respondents offered suggestions to improve the Arizona Department of Education’s performance, and 45 percent offered suggestions to improve ClassWallet.

The most common suggestion to improve the department’s administration of the ESA, offered by more than 40 percent of the respondents who offered a suggestion, was to modify or eliminate the requirement to include a curriculum with each supplementary material purchase. Examples include:

- “Removing the mandatory curriculum for items like reading books, pencils, papers, staples, glue, etc.”
- “Make a new category for ‘reading materials’ and ‘school supplies’ so we don’t have to justify and make a curriculum for obvious educational items.”
- “Stop making us have a detailed list of supplies for our students and name every book on curriculum sheets. I am certain teachers in public school are not doing this.”
- “Allow parents a list of automatically allowed items that have been shown to be educational and you would find it most schools/

classrooms without having to provide curriculum. There are too many hoops for parents to jump through to get what we need for our kids.”

Other popular suggestions for improvement included hiring more staff and better-trained staff (36 percent) and ensuring that rules are more consistent and better communicated to parents (30 percent). Examples include:

- “Sufficiently staff the program, adequately train staff, and add clarity and specificity to current vague guidelines.”
- “[I want the department to] follow the handbook [and] to train their employees because right now parents know the program better than the employees do and are getting denials that are erroneous based on the employees having no idea what they are doing.”
- “Things seems to always be changing, I know they are trying to save the program but it can be very confusing. It would be great if there were consistent rules/policies.”
- “The ESA program needs more clear guidelines. They seem to change the rules at will and cannot point to why this happens.”
- “Regular communication about status of reimbursements, orders, and vendor pay.”

More than one-quarter of respondents urged the department to process approvals and reimbursements in a timelier manner—something that could be accomplished with a combination of more and better-trained staff, eliminating the curriculum requirement, and reintroducing the use of ESA debit cards (discussed further below).

Respondents hit upon similar themes in their recommendations for ClassWallet. The most common suggestions included greater transparency (19 percent), more timely payment processing (18 percent), improvements to the vendor payment process and the implementation of other changes to attract more vendors (14 percent), and generally being more user friendly (13 percent). Examples include:

- “They could offer a running balance that shows starting balance, funds spent, funds remaining. As of right now there is no way for parents to monitor their children’s funds on ClassWallet which is very

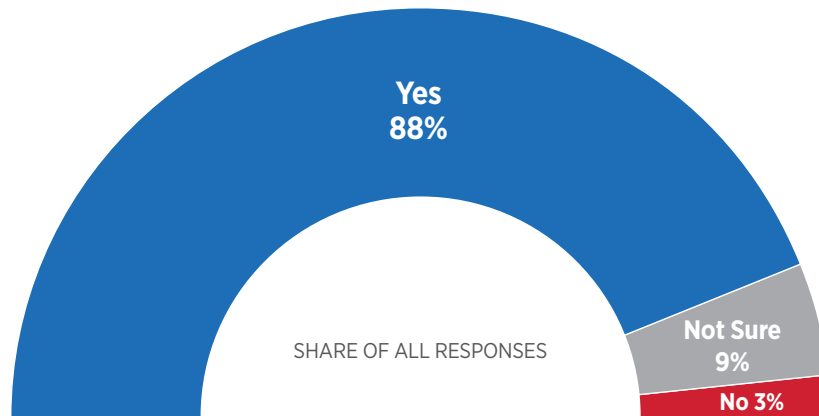
concerning. A bank shows what transactions have gone through and ClassWallet should as well.”

- “There should be a way for us to search via item that was purchased.”
- “Allow us to easily switch between kids if an order was started in the wrong kid.”
- “Have the student name and ID number visible at all times. I often forget which kid’s account I am in and then I have to exit all the way out and get back in.”
- “Include description of the expense in the reimbursement status page so we can tell what each entry is for.”
- “Approved items should be highlighted somehow. It’s confusing how there are things on ClassWallet that are not authorized. Why are we seeing them if not?”
- “Adding features allowing for the price changes, dropping an item or adding an item without having to start the whole order over, adding specific vendors or stores that have all approved items. Add a feature that is able to keep track of all cancelled/rejected orders.”
- “Add more vendors/stores and streamline the refund and return process.”
- “[ClassWallet] Marketplace only has 84 vendors. They told us they had thousands. Direct Pay is barely usable.”
- “Vendors searchable by location! If something is in the marketplace, it should be auto-approved!”
- “More mobile interface.”
- “More intuitive navigation of the site. There’s too many rabbit trails to go down in order to find what you’re looking for.”

As noted, a highly popular improvement would be to restore the ability of ESA families to make purchases with restricted-use debit cards. With an

CHART 9

Q: “Would You Prefer to Have a Debit Card to Make ESA Purchases?”



SOURCE: SurveyMonkey survey conducted September 10–19, 2024, consisting of 273 respondents with a margin of error of 5.9 percentage points and a confidence level of 95 percent.

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ESA debit card, families can make purchases at approved vendors and the transaction takes place immediately. There is no need for the vendor to wait to be paid or for the family to pay out of pocket and wait for reimbursement. The debit cards still have a high level of accountability because they can only be used at approved vendors, and families must submit receipts before their next quarterly disbursement. The department could use risk-based auditing on the back end to identify suspicious transactions, as well as random audits to ensure compliance. Indeed, both these auditing practices are required by Arizona’s ESA statute.²²

Even before being asked explicitly about their views on debit cards, about 10 percent to 15 percent of respondents replied to open-ended questions by expressing their desire to bring back the debit cards. Although the department stopped issuing new debit cards in February 2023, some ESA families who had access to ESA debit cards were grandfathered in. Ten percent of survey respondents said that they exclusively used the debit cards, and nearly half used both the debit cards and the ClassWallet platform, while about four in 10 exclusively used ClassWallet.

Of the respondents who exclusively used ClassWallet or who used both options, 88 percent said they preferred to have a debit card to make ESA purchases, while 9 percent were not sure. Only about 3 percent said they

did not prefer to have an ESA debit card. Among families whose oldest child has special needs, 91 percent of respondents preferred to have a debit card to make ESA purchases.

Families' Closing Thoughts. Despite their frustration with all the challenges they are facing with the administration of the ESA program, ESA families would still overwhelmingly recommend the program to other families. About nine in 10 respondents said they would recommend the ESA program to other families, including two-thirds who said they were very likely to do so. Only 2 percent said they were unlikely to recommend it, and 9 percent were unsure whether they would recommend it. One respondent noted having reservations about recommending the ESA because “I do think it’s a great program in theory but right now it’s such a mess I don’t want anyone else to get wrapped up in this mess,” adding that the “only reason we put up with it is because our kids have special needs.”

When asked for any additional comments or suggestions about the ESA program, many families took the opportunity to express gratitude, including:

- “We are very thankful for it. It has been helpful.”
- “So thankful for the ESA program!”
- “We are incredibly grateful for the ESA program and the benefits it provides to our child. We would not be able to afford his specialized reading coach without ESA funding. He has made incredible improvements with his individualized educational plan. This type of coaching/tutoring is not available in the public schools.”
- “The ESA program has changed my children’s lives, as well as my own. It gives me the opportunity to provide so much richness to their education that I otherwise could not afford.”
- “This program has enabled us to expand our sons’ education in so many ways!”
- “This program is life changing for our children. I am so thankful for the legislatures who fought for ESA. I would love for the program to work as intended and parents be trusted enough to purchase pencils and books without having to prove how they are educational. I’m tired of the governor and the AG [Attorney General] making ESA parents into villains and attacking this program that serves CHILDREN. I wish both political parties were able to support our children.”

- “When administered the way the program was intended, it is an amazing blessing full of opportunities that opened educational opportunities, equipped, educated and prepared my students in ways we never would have been able to without having the privilege of this program.”
- “Even though the current ESA admin is making it exponentially harder to use the program, it is still the best in the nation.”

Others reiterated the need to address the challenges they face with the program, particularly the supplementary curriculum requirement:

- “If the wait times for expenses decrease and if there were clearer instructions on how to order, this program would be perfect. We are truly grateful that this program exists. Last year it was so smooth, but this year it has been awful. It’s almost as if the program didn’t exist.”
- “I really appreciate the program and the learning opportunity it provides. I wish that there can be more clarity on communication and timeliness of resolving issues and questions.”
- “[The] ESA program has been a tremendous blessing to my family in helping us create the ideal school environment for my child, however, there is added stress when it comes to the extra time it takes to create curriculum for most purchases and the length of time it takes to receive reimbursement. I don’t feel public schools are monitored as closely with their funding [as] the ESA program seems to be, so it would be nice to see something change.”
- “Just make the orders get approved a lot faster.”
- “Find a way to make this program run more smoothly. Push back against unreasonable demands from the AG and other opponents. Communicate better with parents.”
- “The program rules cannot change randomly within a contract year. We signed a contract and ESA should similarly have a contract of sorts of timelines and guidelines. ESA should not be able to make changes within that contract year.”

- “Wasting my time with curriculum requirements. I am already a very busy mom and teacher. I don’t have free time for this!”
- “The new interpretation of the rules has negatively impacted my ability to provide a quality education to my kids. It also seems like the staff making approvals are not applying the rules [consistently]. I’ve been waiting for over 2 months to get reimbursements which means I can’t get any more materials, even though I have the funds in ClassWallet.”
- “The new curriculum writing process is a nightmare and major waste of time. Receipts and selecting categories should be enough to prove we are compliant with handbook.”

Other respondents reiterated their desire to see the department restore the ESA debit cards:

- “I have the debit card for one of my two children. It allows us to order and receive items in a timely fashion. All participants should have access to the debit card. Waiting months to wait for approval, only to have it canceled for one reason or another is absurd.”
- “Please bring back the debit cards.”
- “Please reissue debit cards for all new accounts as this is the easiest way to use funds. Thanks!”
- “All students on the program need access to debit cards so parents can get educational items timely and as needed!”
- “I love this program! It has been such a blessing for my family to be able to educate them in a safe environment. Giving my children the education that they deserve and were denied in the public school system. I know that it has the potential to be an amazing program for everyone, if everyone had equal access to their funds by returning the debit cards.”

Overall, respondents were grateful for the ESA program, but they want to see the department make the ESA great again. As one respondent put it: “ESA has the capacity to be a well-run program again. It has been such a gift to my children and their educational needs. I hope they can get it back to how it used to be!”

Recommendations for the Arizona Department of Education

The Arizona Department of Education used to enjoy much higher levels of user satisfaction than today. In the two most recent surveys conducted by the department after ESA eligibility was expanded to all K–12 students, but before the department stopped issuing new ESA debit cards, 67 percent to 70 percent of respondents expressed satisfaction with the department’s administration of the ESA program.

The department could achieve similarly high levels of satisfaction among ESA families by making three key policy changes. The Arizona Department of Education should:

1. **Bring Back ESA Debit Cards.** The department should reinstate ESA debit cards—a policy change supported by 88 percent of ESA families that do not currently have access to an ESA debit card. By reinstating debit cards and implementing risk-based auditing, the department could address the main concerns expressed by ESA families—including long wait times for expense reimbursements (86 percent) and approvals (77 percent)—while maintaining a high level of financial accountability. With restricted-use ESA debit cards, families would be able to purchase educational goods and services from eligible vendors immediately instead of waiting for weeks or even months for approvals or reimbursements.
2. **Provide Immediate Payment to Approved Vendors for Pre-approved Purchases.** The department should streamline the purchasing process by allowing families using Direct Pay or the Marketplace on the ClassWallet platform to immediately purchase pre-approved goods and services from approved vendors. Although this policy change would not provide the same level of flexibility as debit cards, it would help to alleviate some of the main concerns raised by ESA families about long wait times for expense reimbursements and approvals.
3. **Eliminate the Supplementary-Materials Curriculum Requirement.** The department should reverse its recent decision to require that parents submit a curriculum along with every request to purchase supplementary materials. This new requirement has no basis in the ESA statute, which has never been interpreted in this manner by any

prior education department administration, state attorney general, or by the State Board of Education. The requirement is an unnecessary burden on families that significantly slows down the ESA approval and reimbursement process.

The time saved by Arizona Department of Education employees resulting from these changes could be reallocated to the service desk. Additionally, the department should streamline the approval process, ensure more thorough and consistent training of employees, and improve the quality and consistency of communications with ESA families. Finally, the department should ensure that ClassWallet is user friendly, including making it easier to track spending and manage multiple ESA accounts for different children, as well as by onboarding as many vendors into the ClassWallet Marketplace as possible.

The department has already begun taking steps in the right direction. In December 2024, Superintendent Horne announced at the quarterly Arizona State Board of Education meeting that the department would clear the approval and reimbursement backlog by immediately funding parents' requests for expenses under \$2,000 and implementing risk-based auditing. This step will greatly improve parents' ability to use their ESAs while ensuring accountability.²³

Conclusion

Arizona's trailblazing education savings accounts are at a crossroads. Although the state's ESA policy is extremely popular with families who benefit from it (99 percent support), they are also highly dissatisfied with the way it is currently being administered (66 percent dissatisfaction with the Arizona Department of Education).

The recommendations for policy and departmental resource allocation detailed here would significantly address ESA families' main concerns and would likely restore the program's historically high level of user satisfaction.

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Endnotes

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