



PRIVATE CHOICE IN PUBLIC PROGRAMS

HOW PRIVATE INSTITUTIONS
SECURE SOCIAL SERVICES
FOR ARIZONANS



Written by Dick M. Carpenter II, Ph.D.
and Sara Peterson
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EXECUTIVE SUMMARY

In 2006, the Arizona Legislature passed two new educational voucher programs, each worth \$2.5 million annually, for children in foster care and for children with disabilities. On November 14, 2006, school choice opponents filed a lawsuit challenging the constitutionality of the programs. Yet, as this report details, for decades the State of Arizona has operated voucher-style programs just like the new educational scholarships. These programs, ranging from educational aid to welfare to adoption assistance, give aid directly to those in need and allow them to spend it on the service provider of their choice, including public agencies, private organizations and even, in most programs, religious schools and institutions. Similarly, school choice plans like Arizona's give scholarships directly to qualifying parents who can then select the public, private or religious school of their choice.

Indeed, we found that Arizona already had six different educational voucher programs that help more than 22,000 students annually attend the public, private or religious school of their choice. And the total annual cost of \$22 million for these programs dwarfs the \$5 million allotted for Arizona's new school choice programs.

This report shows that voucher programs that give recipients the free and independent choice of an array of providers, including faith-based organizations, have a long and established history in Arizona. Vouchers for foster children and those with disabilities represent only a modest addition to a long-standing and sensible policy of providing services through efficient choice-based programs for those most in need.

INTRODUCTION

Arizona's new publicly funded scholarship program for children with disabilities is a godsend to Scottsdale mom Andrea Weck, whose five-year-old daughter Lexie has been diagnosed with cerebral palsy, autism and mental retardation. Unfortunately for Andrea, her local public school does not have the right combination of services for Lexie's unique needs—but a Tempe private school, Chrysalis Academy, does. In just a few short months after starting at Chrysalis, Lexie is showing remarkable progress academically and socially, but Andrea simply could not afford the tuition without the new scholarship program.

Regrettably, on November 14, 2006, special interest groups opposed to school choice filed a lawsuit challenging the scholarship program, as well as a new school choice program for foster children, each worth \$2.5 million annually. Specifically, opponents allege that the

programs violate the Arizona Constitution's Blaine Amendment and education provisions by allowing participating parents a free and independent choice of public, private or religious schools.

But since the 1980s, Arizona has spent public money to support children whose special needs are best met by private and religious schools. The only difference between the old programs and the programs now in litigation is who chooses—bureaucrats or parents.

Since the late Milton Friedman gave voice to the idea,¹ educational vouchers like Arizona's new programs have arguably endured more criticism from defenders of the educational status quo than any other school-related policy innovation. The simple idea of government paying for—but not itself providing—

educational services has been demonized as undermining America's democratic values,² marginalized as an "experiment,"³ dismissed as unconstitutional,⁴ and condemned for "undercut[ting] the public-school system by siphoning off much needed dollars."⁵

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But as this report demonstrates, the new voucher programs are only two of nearly a dozen such programs where Arizona already pays for but does not necessarily provide services to participants. Those programs range from education to various welfare programs to adoption assistance. The education-related voucher programs alone serve more than 22,000 students a year, totaling nearly \$22 million in annual State-funded scholarships, as shown in Table 1.

Table 1: Annual Number of Participants and Expenditures (or Appropriations) per Education-Related Voucher Program, Most Recent Data

<i>Current Voucher Programs</i>	<i>Participants</i>	<i>Expenditures</i>
Special Education Vouchers for Private Placement	1,656	\$6,981,338
Education and Training Vouchers	250	\$1,589,937
AIMS Intervention and Dropout Prevention Program	16,000	\$5,550,000
Leveraging Educational Assistance Partnership Program	4,131	\$2,808,172
Postsecondary Education Grant Program	NA ⁶	\$4,800,000
Private Postsecondary Education Student Financial Assistance	140	\$116,333
TOTAL	22,177	\$21,845,781
<i>New Voucher Programs</i>		
Displaced Pupils Choice Grants	500	\$2,500,000
Arizona Scholarships for Pupils with Disabilities	200	\$2,500,000

Most of Arizona’s voucher-style programs operate basically the same way: Participants who demonstrate a need receive funding, which they then spend at the service provider of their choosing—public or private institutions, often including religious organizations. Given the number of citizens in need, choice-based aid represents a more efficient way to support services for these individuals rather than the government providing assistance directly. Indeed, choice-based aid enjoys a long and successful history in American social policy through federal programs like food stamps and various college assistance programs such as Pell Grants and the G.I. Bill, as well as in Arizona policy.

In light of the array of voucher-style programs listed throughout this report, an inevitable question arises: How are Arizona’s new K-12 voucher programs for foster children and children with special needs any different? If the voucher programs described in this report are constitutional and sound policy (as school choice opponents tacitly admit by failing to challenge them legally or in the court of public opinion), why aren’t publicly funded scholarships for foster and disabled students?

Perhaps, one might argue, scholarships for foster children and children with disabilities differ because they involve the education of children. But, as the descriptions

IF THE VOUCHER PROGRAMS DESCRIBED IN THIS REPORT ARE CONSTITUTIONAL AND SOUND POLICY, WHY AREN’T PUBLICLY FUNDED SCHOLARSHIPS FOR FOSTER AND DISABLED STUDENTS?

included here indicate, other Arizona voucher programs also involve the education of children. Indeed, some of these other programs even deal specifically with children in foster care or students with disabilities. Another argument against the new programs might be their inclusion of religious institutions. Yet, other Arizona educational aid programs allow recipients to redeem vouchers at religious organizations if they so choose.

In fact, the new Arizona educational voucher programs for children in foster care and children with disabilities do not differ substantively from other voucher programs that have been in place for years—except for the threat they apparently pose to public school monopolists. That threat seems so dire, opponents like the ACLU Foundation of Arizona and People for the American Way (PFAW), who both brought the November 14, 2006, lawsuit, are willing to deny a modest helping hand to children struggling with challenging physical, emotional or familial circumstances just to preserve the educational status quo in Arizona.

But placed in context, the supposed threat is nothing more than an ACLU/PFAW chimera. Even if a maximum number of students in each of the new programs used a voucher, only approximately 200 special education students⁷ and 500 foster children⁸ could

likely take advantage of the opportunities annually. These numbers represent only 0.1 percent and 12.3 percent respectively of eligible students⁹ and a mere 0.02 percent and 0.05 percent respectively of all Arizona students.¹⁰

And compared to the size of other voucher programs in Arizona (in terms of participants and dollars), any imagined threat posed by the new scholarship programs

VOUCHERS FOR FOSTER CHILDREN AND THOSE WITH DISABILITIES REPRESENT ONLY A MODEST ADDITION TO A LONG-STANDING AND SENSIBLE POLICY OF PROVIDING SERVICES THROUGH EFFICIENT CHOICE-BASED PROGRAMS FOR THOSE MOST IN NEED.

is even emptier. Table 1 contrasts the maximum number of participants and dollars in the new voucher programs to previously existing education-related vouchers. As the results indicate, the new programs are much smaller than the majority of other voucher initiatives.

But most important, the new programs, like those already in operation, provide much-needed assistance to citizens facing difficult challenges in the formative years of their lives. Through the voucher vehicle, these services are funded by the State but enable recipients to call on the resources and expertise of providers best able to meet the students' unique needs, regardless of the particular provider's public, private or religious status. In addition to greater efficiency for recipients and the public at large, Arizona's choice-based aid programs involve the community in not only the funding of services but also the provision of assistance as non-governmental organizations join in the care of some of Arizona's neediest citizens.

In the pages that follow, we include more detail about each of Arizona's current voucher programs. These profiles include short explanations of each program, when the programs were enacted and data on the number of participants and dollars expended or appropriated (when available). As these descriptions indicate, voucher programs in which government pays for but does not directly provide services, and in which participants choose from an array of providers, including faith-based organizations, have a long and established

history in Arizona. Vouchers for foster children and those with disabilities represent only a modest addition to a long-standing and sensible policy of providing services through efficient choice-based programs for those most in need.

EDUCATION VOUCHERS

Special Education Vouchers for Private Placement¹¹

Established: 1987

Description: These vouchers pay for the education of children ages 3 through 21 who have been placed in a private residential facility for special education services or for care, safety or treatment reasons other than special education. For the latter services, private residential facilities eligible to receive vouchers include private schools accredited or working toward accreditation by the North Central Association of Colleges and Secondary Schools, including religious institutions.

Participants and Expenditures¹²

Year	Participants	Expenditures
2002	NA	\$4,465,600.63
2003	1,119	\$4,615,773.98
2004	1,406	\$5,204,163.04
2005	1,600	\$5,186,715.04
2006	1,656	\$5,084,572.79
2007	NA	\$6,981,338.88 (projected)

Education and Training Vouchers¹³

Established: 2002

Description: Foster youth may use these vouchers to attend a college, university or vocational institute of their choice, including religious schools. To be eligible, recipients must have been in foster care at the age of 16 or 17. Vouchers may be used at public or private colleges or universities, community colleges and vocational or technical schools. Students may receive financial assistance until they reach the age of 23. The maximum voucher for each student is \$5,000 per year.¹⁴

Participants and Appropriations¹⁵

Year	Participants	Appropriations
2003	NA	\$1,248,245
2004	NA	\$1,324,273
2005	NA	\$1,480,385
2006	NA	\$1,501,017
2007 (estimate)	250	\$1,589,937

AIMS Intervention and Dropout Prevention Program¹⁶

Established: 2002

Description: Students at risk of dropping out of school use these vouchers for additional academic support, including tutoring, workplace training and instruction on leadership and civic duty. Service providers may be either public or private entities, including religious organizations such as the Young Men’s Christian Association (YMCA). This program has traditionally served only students in grades 9-12, but in 2007, seventh and eighth graders will be eligible for the vouchers.

Participants and Appropriations¹⁷

Year	Participants	Appropriation
2002	NA	\$550,000
2003	NA	\$550,000
2004	NA	\$550,000
2005	NA	\$570,000
2006	8,677	\$5,550,000
2007	16,000 (anticipated)	\$5,550,000

Leveraging Educational Assistance Partnership (LEAP) Program¹⁸

Established: 1976

Description: This need-based program gives qualifying college-aged students vouchers (grants) to spend at any postsecondary institution of their choice, public or private, religious or non-religious. Vouchers range anywhere from \$100 to \$2,500 per student per year. The average voucher in 2005-2006 was \$680.

Participants and Expenditures¹⁹

Year	Participants	Expenditures
1994-1995	NA	\$ 3,503,696
1995-1996	NA	\$3,361,147
1996-1997	4,846	\$2,751,000
1997-1998	5,028	\$3,164,527
1998-1999	4,189	\$2,731,119
1999-2000	3,784	\$2,727,078
2000-2001	4,595	\$2,990,497
2001-2002	3,805	\$2,811,845
2002-2003	3,700	\$2,838,854
2003-2004	4,357	\$2,864,937
2004-2005	4,187	\$2,853,358
2005-2006	4,131	\$2,808,172

Postsecondary Education Grant (PEG) Program²⁰

Established: 2006

Description: This program provides vouchers (scholarships) for students who wish to enroll in any nationally or regionally accredited private postsecondary college or university in Arizona, including religious colleges. Students receive a \$2,000 voucher annually for a maximum of four calendar years. They can use this voucher on tuition, books and fees.

Participants and Appropriations²¹

Year	Participants	Appropriations
2007	NA	\$4,800,000

Private Postsecondary Education Student Financial Assistance Program (PFAP)²²

Established: 1996

Description: This program gives vouchers of up to \$1,500 per year to students who hold an Associate’s Degree from an Arizona community college and intend to enroll as a full-time student in a private college or university in Arizona, including religious institutions. Students who receive a voucher may reapply for an award during their second year, for a maximum cumulative award of \$3,000.²³

Participants and Expenditures²⁴

Year	Participants	Expenditures
1996-1997	52	\$39,000
1997-1998	379	\$284,250
1998-1999	358	\$268,500
1999-2000	348	\$261,000
2000-2001	260	\$386,088
2001-2002	297	\$432,780
2002-2003	259	\$348,560
2003-2004	155	\$186,550
2004-2005	113	\$105,092
2005-2006	140	\$116,333

VOUCHERS FOR SOCIAL SERVICES

Special Needs Adoption²⁵

Established: 1990²⁶

Description: This program reimburses any “nonrecurring adoption expenses” taken by parents who adopt a special needs child. These expenses can include private sector services such as attorney fees, travel costs, and expenses related to the legal process of adoption, such as the adoption study. Under this program, up to \$2,000 may be reimbursed per child.

Behavioral Health Services for Juvenile Offenders²⁷

Established: Early 1990s²⁸

Description: Under Arizona law, a child or parent may receive behavioral health services from a State agency or private service provider, as determined by the court. In this case, a private service provider can be an individual or an organization, including those that are faith-based, and the provider can receive funding directly or be reimbursed for services given to a child who is a ward of the court. Although this program differs slightly in that the decision is made by the court rather than a parent, it still allows for services to be paid for but not provided by the State and includes both public and private service providers.

Homes for Arizonans Initiative: Down Payment and Closing Cost Assistance Program²⁹

Established: 1998³⁰

Description: This program provides assistance for first-time homebuyers and includes a voucher (grant) that individuals may use to pay for closing costs and a down payment. Depending on the buyer’s income and other factors, the voucher can cover the actual closing costs or \$3,000 (whichever is less), and the maximum combined assistance available for each voucher recipient is \$20,000.

ENDNOTES

- 1 Friedman, M. (1962). *Capitalism and freedom*. Chicago: University of Chicago Press.
- 2 Brauer, R. (1997, January). Undermining America's cornerstone. *School Administrator*, 54, 35;
Lewis, J. F. (1995). Saying no to vouchers: What is the price of democracy? *NASSP Bulletin*, 79, 41-51.
- 3 Molnar, A. (1997, August 6). The real lesson of Milwaukee's voucher experiment. *Education Week*, 76-78.
- 4 Dubnoff, C. (2001). The inclusion of religious schools in public voucher systems is unconstitutional. *Insights on Law & Society*, 1(2), 15.
- 5 Allen, M. (1991). Saying no to school choice. *Black Enterprise*, 21(12), 16.
- 6 This program was approved by the Legislature in 2006, thus the number of participants for the 2006-2007 school year have not yet been released.
- 7 This number was calculated by dividing Arizona's average special education per pupil expenditure (\$12,400) into the total appropriation for this voucher program. The \$12,400 expenditure figure equals the sum of average per pupil general spending and average per pupil discrete special education spending. The average special education expenditure was interpolated from Parrish, T., Harr, J., Wolman, J., Anthony, J., Merickel, A., & Esra, P. (2004). *State special education finance systems, 1999-2000; Part II: Special education revenues and expenditures*. Palo Alto, CA: Center for Special Education Finance, American Institutes for Research. (The actual size of each voucher in this program is determined by the funding formula used to discern the amount of money necessary to educate the child.)
- 8 The 500 figure represents a cap set by law.
- 9 The latest available figures indicate Arizona educates approximately 112,000 students with disabilities, Office of Special Education and Rehabilitative Services. (2006). *Annual report to Congress on the implementation of The Individuals with Disabilities Education Act*. Washington, DC: U.S. Department of Education. The most recent available figures on the number of children in foster care indicate 4,042, Administration for Children, Youth and Families. (2006). *Child welfare reporting requirements semi-annual report*. Phoenix, AZ: Arizona Department of Economic Security.
- 10 Arizona educates approximately 967,000 K-12 students, National Center for Education Statistics. (2006). *Actual and projected numbers for enrollment in grades PK-12 in public*

- elementary and secondary schools, by region and state: Fall 1996 to fall 2014.* Retrieved December 17, 2006, from http://nces.ed.gov/programs/projections/TableDisplay.asp?id=tab_04_1.asp.
- 11 A.R.S. 15-1181 through 15-1185.
 - 12 Data compiled from email correspondence with Lori Damanti, School Finance Unit, Arizona Department of Education, November 20, 2006.
 - 13 This program was created through H.B.2613, which calls for an amendment to A.R.S. 8-521 to provide for its implementation.
 - 14 Email correspondence with John Malloy, Legislative Budget Committee, December 4, 2006.
 - 15 Data compiled from email correspondence with John Malloy, Legislative Budget Committee, December 4, 2006, and December 11, 2006, email correspondence and December 19, 2006, telephone conversation with Beverlee Kroll, ETV State Coordinator, Independent Living/Young Adult Program, Arizona Department of Economic Services.
 - 16 A.R.S. 15-809.
 - 17 Data compiled from Arizona Department of Education website, <http://www.ade.state.az.us/asd/dropout/interventionprevention.asp>; Schimpp, S., Klingerman, N., Ruggieri, L., & Morley, S. (2006). *Department of education non-formula programs*. Retrieved December 17, 2006, from <http://www.azleg.gov/jlbc/07recbk/adenonformula.pdf> and conversation with Bill Cocaggna, Director of Dropout Prevention, Arizona Department of Education, December 5, 2006.
 - 18 The program was formerly known as the State Student Incentive Grant. In 1996, administrative codes R7-3-301 through R7-3-309 were adopted to govern the program.
 - 19 Data compiled from email correspondence with Mila Zaporteza, LEAP Business Manager and Financial Aid Manager, Arizona Commission for Postsecondary Education, December 21, 2006. For years 1996-97 through 2003-04, numbers in the Participants column represent grants awarded rather than actual participants. In some cases, students may have received more than one grant in a given year. Beginning 2004-05, numbers represent actual participants.
 - 20 A.R.S. 15-1855.
 - 21 Telephone conversation with Dr. April Osborn, Executive Director, Arizona Commission for Postsecondary Education, November 17, 2006. Budget allocations are also available from H.B.2873, Sec. 21, http://azhighered.gov/acpe_default.aspx?pageid=62.

- 22 A.R.S. 15-1854 and Arizona Administrative Code rules R7-3-401 through R7-3-405.
- 23 Arizona Commission for Postsecondary Education. (2005). *Annual report: Expanding access and increasing success in postsecondary education for Arizonans*. Phoenix, AZ. Available at: http://azhighered.org/content/Annual_Report_2005.pdf.
- 24 Data compiled from email correspondence with Mila Zaportez, LEAP Business Manager and Financial Aid Manager, Arizona Commission for Postsecondary Education, December 21, 2006. For years 1996-97 through 2003-04, numbers in the Participants column represent grants awarded rather than actual participants. In some cases, students may have received more than one grant in a given year. Beginning 2004-05, numbers represent actual participants.
- 25 A.R.S. 8-162.
- 26 Telephone conversation with the Arizona Legislative Librarian, December 20, 2006.
- 27 A.R.S. 8-248.
- 28 The statute governing this program was enacted in 2006, but a telephone conversation with the Arizona Department of Health Services, Division of Behavioral Health Services on December 15, 2006, indicates the program actually predates the 2006 statute.
- 29 Email correspondence with Richard Stone, Public Affairs Coordinator, Arizona Department of Housing, November 20, 2006; Arizona Department of Housing, Down Payment and Closing Cost Assistance information sheet, http://www.housingaz.com/UPLOAD/Down_Payment_Closing_Cost.pdf. Although there is no statutory reference or regulatory language governing the program, the Department states it is financed from the Housing Trust Fund, which is governed by A.R.S. 41-3955. Specifically, "C. Fund monies shall be spent on approval of the department for developing projects and programs connected with providing housing opportunities for low and moderate income households and for housing affordability and Arizona housing finance authority programs. Pursuant to section 44-313, subsection A, a portion of fund monies shall be used exclusively for housing in rural areas. D. In approving the expenditure of monies, the director shall give priority to funding projects that provide for operating, constructing or renovating facilities for housing for low income families and that provide housing and shelter to families that have children."
- 30 This initiative began as the Rural Homeownership Assistance Program in 1998, telephone conversation with Meggan Medina, Government Relations and Communications Administrator, Arizona Department of Housing, December 20, 2006.

ABOUT THE AUTHORS



Dick M. Carpenter II, Ph.D.

Dr. Carpenter serves as the director of strategic research for the Institute for Justice. He works with IJ staff and attorneys to define, implement and manage social science research related to the Institute's mission.

As an experienced researcher, Carpenter has presented and published on a variety of topics ranging from educational policy to the dynamics of presidential elections. His work has appeared in academic journals, such as the *Journal of Special Education*, *The Forum*, *Education and Urban Society* and the *Journal of School*

Choice, and practitioner publications, such as *Phi Delta Kappan* and the *American School Board Journal*. Moreover, the results of his research are used by state education officials in accountability reporting and have been quoted in newspapers such as the *Chronicle of Higher Education*, *Education Week* and the *Rocky Mountain News*.

Before working with IJ, Carpenter worked as a high school teacher, elementary school principal, public policy analyst and professor at the University of Colorado, Colorado Springs. He holds a Ph.D. from the University of Colorado.

Sara Peterson

Sara is an honors graduate of Northwestern University, where she studied European and American History. She works from Wisconsin as a consultant on public policy issues.

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INSTITUTE FOR JUSTICE

901 N. Glebe Road
Suite 900
Arlington, VA 22203

www.ij.org

p 703.682.9320
f 703.682.9321