

Educational *Freedom*

A Path to Innovation and Excellence

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INTRODUCTION: THE CASE FOR EDUCATIONAL FREEDOM

America's kindergarten through 12th grade (K–12) public education system is failing too many students, despite the fact that more taxpayer money is currently being spent on it than ever before.

Public schools operate as a government-controlled monopoly, leaving families with limited options for their children's education and with limited ways to hold school officials accountable for poor outcomes.

Nationwide, student achievement remains stagnant. The National Assessment of Educational Progress (NAEP) reveals declining proficiency rates in key subjects like math and reading, even as states spend billions of dollars on public education each year. In many cases, administrative costs are growing faster than teacher salaries, diverting resources away from the classroom and into bloated bureaucracies.

For example, from the 2024 results of The Nation's Report Card, we see a nation with students in crisis.

Reading scores are down nationally for students in

both the fourth and eighth grades, and no state saw reading gains in either grade level compared to 2022. The 2024 NAEP results indicate that *less than a third* of all American students nationwide are reading at the *NAEP Proficient* level. Around 40 percent of fourth graders are working below the *NAEP Basic* level in reading. Furthermore, 33 percent of eighth graders are not even reading at the *NAEP Basic* level—meaning that roughly a third of eighth graders would most likely be unable to identify basic literary elements in a text.¹ In short, American students are not equipped to be successfully functioning citizens if the majority are unable to read proficiently by the eighth grade. A functionally illiterate society threatens American freedoms such as free speech, religious freedom, and our representative form of government.

1. "NAEP Reading—US Reading Score Trends," The Nation's Report Card, accessed November 6, 2025, <https://www.nagb.gov/naep/reading.html>.

It also undermines our nation's important role in the world. Most concerning is that illiteracy weakens the ability of individuals to thrive independently of the government.

Educational freedom, rooted in free market principles, offers a proven solution. By allowing families to direct education funding toward the best learning environment for their children—whether that be a public, charter, private, homeschool, or hybrid model—competition is introduced, forcing schools to innovate, become more efficient, and prioritize student success. Universal Education Savings Accounts (ESAs), tax-credit scholarships, open enrollment policies, and deregulation can break the cycle of underperformance and wasted spending, empowering both parents and teachers to effect educational change.

This handbook provides a comprehensive analysis of educational freedom in America and the free market principles that drive its success. Section 1 examines the failures of the current system and highlights how competition and choice can revolutionize K-12 education. Section 2 breaks down the government school monopoly, exposing its inefficiencies and the lack of incentives for improvement. Section 3 outlines actionable policy recommendations, including the implementation of ESAs, the expansion of charter and magnet schools, and regulatory reform to encourage educational entrepreneurship.

By learning from successful states like Arizona and Florida—where school choice policies have led to better student outcomes at a lower cost—legislators and the public will be more willing to embrace reforms that will give every child access to a high-quality education tailored to their unique needs. The path forward is clear: Empower families, introduce competition, and let education dollars follow student needs, not systems.

Section 1: A Free Market Case for Educational Freedom

What Are Free Market Principles?

Free market principles emphasize property rights, competition, personal choice, and efficient resource use. In education, these principles challenge the current top-down system by encouraging a more efficient use of taxpayer dollars: ensuring these dollars follow student needs instead of being bound to institutions. Doing so increases innovation, encourages accountability, gives parents more options for their children's education, and empowers families to select the learning environment that best suits their desires and their children's needs.

Introducing competition transforms how schools operate. When parents have options, schools are incentivized to reduce wasteful administrative spending, allocate more resources to teachers, and focus on improving student outcomes. Milton Friedman, a pivotal influencer on economic policy and the father of school choice, noted, "One of the great mistakes is to judge policies and programs by their intentions rather than their results."² Despite good intentions, the government-run K-12 education system has delivered poor results.

To understand the transformative power of competition, we can look to other sectors. Consider the telecommunications industry—a compelling example of free market success. Deregulation in the 1980s spurred competition, resulting in lower prices and the broad accessibility of mobile phones and internet services. Similarly, competition in the airline industry has driven down ticket prices while improving efficiency and customer service. Retail businesses, such as Amazon, thrive by continually innovating to meet consumer demand.

2. Mark J. Perry, "Ten Classic Milton Friedman Quotes," American Enterprise Institute, May 3, 2015, <https://www.aei.org/carpe-diem/ten-classic-milton-friedman-quotes/>.

These same free market forces can improve education. The current government-controlled school system operates as a monopoly, stifling innovation and limiting families' options when it comes to school choice. Friedman wrote, "Parents generally have both greater interest in their children's schooling and more intimate knowledge of their capacities and needs than anyone else."³ Giving parents control over education funding aligns incentives to meet students' needs and leads to better outcomes.

Economic Freedom and Innovation in Education

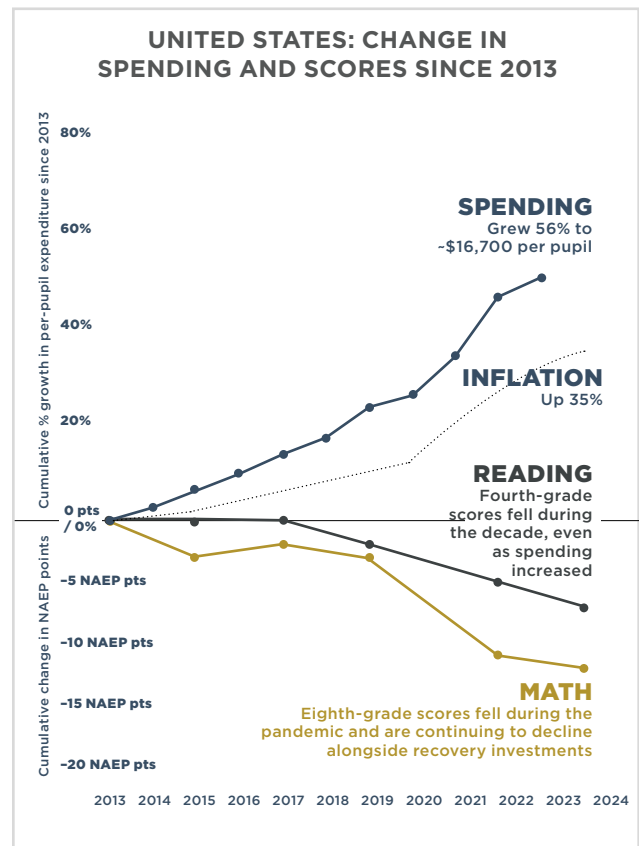
At the core of educational freedom is competition. Programs like ESAs allow families to allocate funds across a range of services, customizing the education of each child. States that embrace educational freedom demonstrate its effectiveness.⁴ Florida has universal school choice, and, over time, its school choice programs have increased graduation rates and college readiness, particularly among disadvantaged students. Arizona's universal ESA program, now with more than 82,000 students enrolled, supports various learning options like science, technology, engineering, and math (STEM) programs and hybrid schooling. According to Vance Ginn and Marty Lueken, adopting a universal ESA program could boost Texas's gross domestic product by up to \$510 billion annually, over time.⁵

No one understands a child's needs and desires better than their parents. Educational freedom recognizes this fundamental truth by allowing families to choose schools that align with their values and aspirations. ESAs have been particularly effective, enabling families to break free from one-size-fits-all public schools and invest in tailored educational solutions.

*Comparing States:
The Results Speak for Themselves*

Despite increased spending, educational outcomes are stagnant or declining. Figure 1 shows per-student spending rising faster than inflation while reading and math proficiency declines.

FIGURE 1. Public Education Spending Soars While Student Outcomes Decline



Source: "Measuring ROI: A National and State-by-State Look over Time," Edunomics Lab, accessed November 6, 2025, <https://edunomicslab.org/roi-over-time/>.

3. Milton Friedman and Rose Friedman, *Free to Choose (a Personal Statement): The Classic Inquiry into the Relationship Between Freedom and Economics* (Harcourt Brace Jovanovich, 1980), 160, https://periferiaactiva.wordpress.com/wp-content/uploads/2019/07/free-to-choose_a-personal-statement.pdf.

4. Martin Lueken, "New Research: The Fiscal Effects of School Choice: The Costs and Savings of Private School Choice Programs in America Through FY 2022," EdChoice, October 15, 2024, <https://www.edchoice.org/the-fiscal-effects-of-school-choice/>.

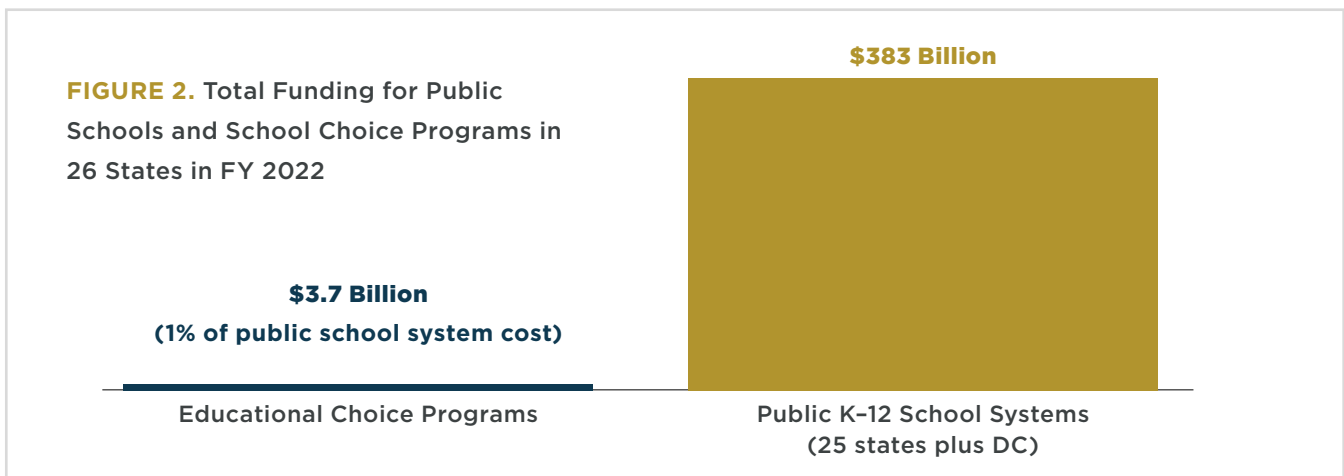
5. Vance Ginn and Marty Lueken, *Economic Effects of a Universal ESA Program in Texas* (Texas Public Policy Foundation, 2017), <https://www.texaspolicy.com/wp-content/uploads/2018/08/2017-03-PP09-EconomicEffectsofESA-CEdF-VanceGinnMartyLueken.pdf>.

In his 1955 essay “The Role of Government in Education,” Milton Friedman presents a framework that remains the gold standard for addressing today’s educational challenges. His vision of funding students instead of systems creates a dynamic in which schools must compete for students, promoting quality and accountability. As Friedman proposed, providing tuition vouchers or, even better, ESAs enables families to select public, private, or other types of schools that best meet their needs, fostering competition and improving quality.⁶

A one-size-fits-all monopoly education system fails to address students’ diverse needs. School choice allows families to select programs that align with their values and their children’s unique learning requirements, such as advanced STEM opportunities, arts-based curricula, or tailored support for students with special needs. Policymakers should prioritize flexibility and adaptability, helping to ensure that every child has access to an education that positions them to succeed. While proponents of the public education system claim that school choice efforts will bankrupt public schools, figure 2 highlights how in fiscal year (FY) 2022, 100 times more taxpayer money went to public schools than to school choice programs in 26 states with some form of school choice.

The data also show the success of states that prioritize educational freedom and the failures of those that do not:

- **Spending per Student:** New York spends more than \$30,000 per student, annually, but lags behind Florida in educational outcomes. Florida, which spends less, leverages school choice to achieve better results.
- **Student Performance:** Florida has consistently improved math and reading proficiency, with notable gains among low-income and minority students. These achievements highlight the effectiveness of choice-driven policies.
- **Efficient Resource Use:** Arizona directs more funding into classrooms, cutting administrative bloat and ensuring resources benefit students directly.



Source: Edunomics Lab, “Measuring ROI: A National and State-by-State Look over Time.”

6. Milton Friedman, “The Role of Government in Education,” University of Texas at Austin, accessed November 6, 2025, <https://la.utexas.edu/users/hcleaver/330T/350kPEEFriedmanRoleOfGovtable.pdf/>.



Why Now Is the Time for Educational Freedom

This is not just a moment; it is a movement. Public support for school choice is decisive. A recent EdChoice survey found that 76 percent of Americans favor ESAs, while 78 percent of parents support school vouchers. This widespread approval reflects a growing understanding that parental choice drives better educational outcomes. The support spans racial, economic, and political lines.⁷

Programs like charter schools, ESAs, and school vouchers create a competitive environment in which schools must meet the needs of students and families to thrive. Market-driven approaches can make education more equitable and efficient. States like Indiana have implemented robust tax-credit scholarship programs, enabling low-income families to access private education. Similarly, Utah's emphasis on online learning ensures that students in remote areas receive a quality education. These examples show how tailored solutions meet diverse educational needs.

ESAs exemplify economic freedom in action. Vouchers allow families to use a portion of their tax dollars to pay for tuition at private schools. ESAs

enable families to use their education funding for various educational services, including tutoring, online courses, and specialized therapies. This flexibility helps parents to create a customized education plan that addresses their child's unique needs. Friedman's vision emphasizes introducing market dynamics into education to promote efficiency and innovation. ESAs align perfectly with his ideals, even more so than the voucher model, empowering families and driving a more responsive education system.⁸

Arizona's universal ESA program is a model for educational freedom. Since its inception, participation has grown from 12,000 students to more than 82,000. Families use ESA funds for various educational purposes, including hybrid learning models, STEM programs, and specialized therapies. Research shows that Arizona's program has improved student outcomes and increased parental satisfaction while costing taxpayers less than traditional public schools. A 2024 EdChoice analysis revealed that school choice programs, including ESAs, have saved taxpayers more than \$5.8 billion nationwide. On average, these programs generate \$3,300 in savings per participating student. Redirecting funds to efficient, outcome-driven programs benefits taxpayers and students.⁹

7. *Polling Primer: An Overview of American Public Opinion on K-12 Education* (EdChoice, 2025), <https://www.edchoice.org/wp-content/uploads/2025/07/2025-Polling-Primer.pdf>.

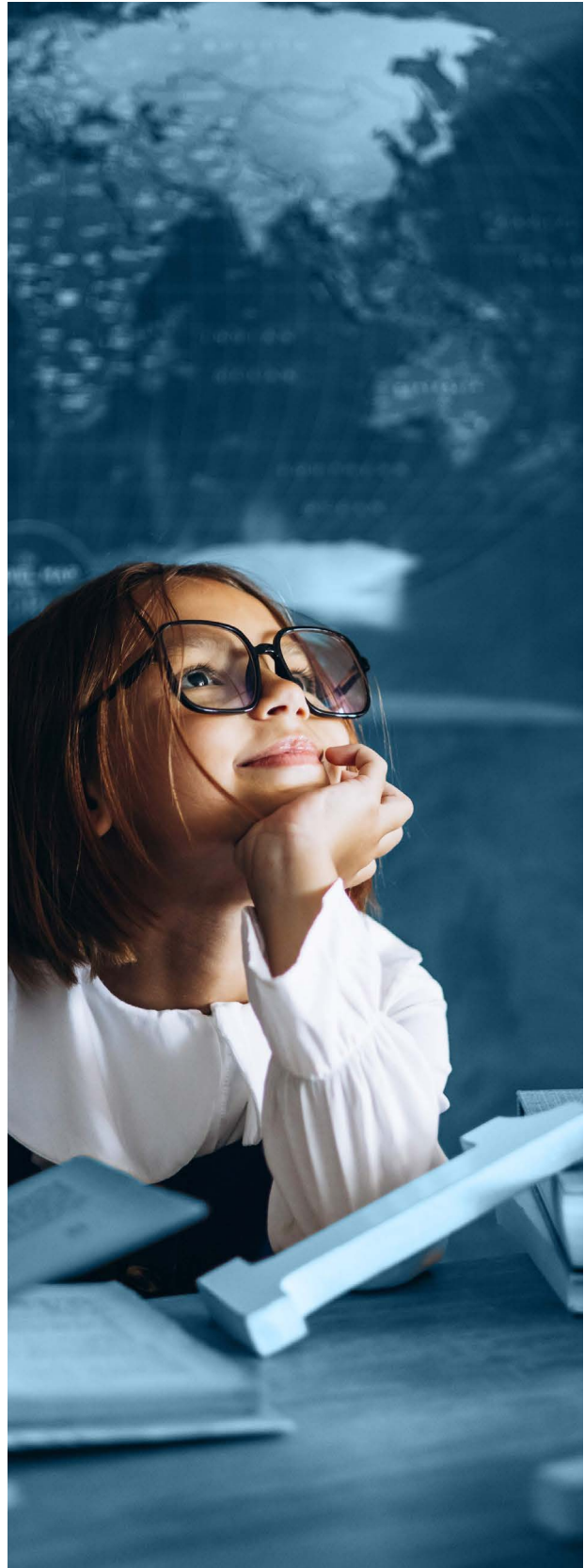
8. Friedman, "The Role of Government in Education."

9. Martin F. Lueken, *Fiscal Effects of School Choice: The Costs and Savings of Private School Choice Programs in America Through FY 2022* (EdChoice, 2024), <https://www.edchoice.org/wp-content/uploads/2024/10/Fiscal-Effects-2024.pdf>.

The Heritage Foundation's Education Freedom Report Card helps illustrate the success of certain states through a ranking based on various factors:

- **Florida** is ranked first in educational freedom, spending \$12,420 per student, with strong ESAs and tax-credit scholarships driving positive outcomes.
- **Arizona** is ranked second, spending \$10,090 per student, with universal ESAs fostering innovation and flexibility.
- **Indiana** is ranked third, with a comprehensive tax-credit scholarship program supporting private education access.
- **Utah** is a leader in online learning, ensuring quality education in underserved areas.
- **Texas** is ranked 15th without school choice, but implementing ESAs would dramatically improve this ranking and save billions of dollars per year compared with the nearly \$17,000 spent per student today.
- **New York**, despite spending \$33,440 per student, ranks 43rd due to inefficiencies and low proficiency rates.¹⁰

These comparisons highlight that high spending does not guarantee success. States focusing on competition and family choice achieve better outcomes at lower costs.



10. "Education Freedom Report Card: State Rankings for Parents," The Heritage Foundation, accessed November 6, 2025, <https://www.heritage.org/educationreportcard/>.

Section 2: Breaking Down the US Education Monopoly

In basic economics, a monopoly occurs when a single provider dominates a market, reducing competition, limiting choices, and often raising prices. A familiar example is your local utility company, which may be the only option for electricity or water in your area. Because there is no competition, customers cannot “shop around” for better service or prices. Similarly, a monopsony is when a single buyer dominates a labor market: Think of a coal town in which one mining company employs nearly everyone. Workers have few alternative employers, which limits their bargaining power and suppresses wages. In education, government-run school districts often function as both monopolies (for students) and monopsonies (for teachers), distorting the market and shielding the system from accountability.

The Problem with the Education Monopoly

US public education operates as a monopoly. Government-run schools dominate the market, leaving families with limited choices, as more than 90 percent of kids in school attend a public school. Most students are assigned schools based on their addresses, with access to better options restricted. As Friedman warned, monopolies stifle innovation and progress, leading to worse academic outcomes.

Three problems arise from education monopolies:

- 1. Limited Choices:** Families often have no alternatives to underperforming schools.
- 2. Inefficiency:** Excessive administrative costs divert funds from classrooms.

- 3. Lack of Accountability:** Without competition, schools have little incentive to improve.

The Problem with the Education Monopoly

Public schools function also as a monopsony, controlling most teacher employment opportunities. This suppresses wages and limits career growth. Studies show that introducing competition could raise teacher salaries by up to \$28,000 annually, benefiting educators and students alike.¹¹

States can significantly improve outcomes by redirecting even a small percentage of administrative funds to classrooms. Independent audits and performance-based funding models ensure that taxpayer dollars are used efficiently. NAEP data underscores the inefficiency of high-spending states. For instance, New York spends more than \$33,000 per student yet achieves below-average proficiency rates. In contrast, Florida spends \$12,420 per student, ranking first on The Heritage Foundation’s Education Freedom Report Card¹² and boasting strong academic outcomes. Redirecting funds from administrative costs to classrooms can substantially improve outcomes.¹³ States like Arizona and Florida demonstrate how deregulation fosters innovation. Arizona’s ESA program offers families diverse educational options, while Florida’s open enrollment policies promote school competition. Both states achieve better results at lower costs than do heavily regulated systems.

11. Vance Ginn and John Merrifield, *The Effects of Education Savings Accounts (ESAs) on Teacher Pay in Texas* (Texas Public Policy Foundation, 2017), <https://www.texaspolicy.com/wp-content/uploads/2018/08/2017-03-PP07-ESAsTeacherPay-CEdF-GinnMerrifield.pdf>.

12. The Heritage Foundation, “Education Freedom Report Card.”

13. Lindsey M. Burke, *Strengthening American Industry Through Education and Workforce Deregulation* (Club for Growth Foundation, 2024), <https://clubforgrowthfoundation.org/wp-content/uploads/2024/06/Market-Policy-Compendium-JUNE-23-6.pdf>.

Section 3: Key Terms and How to Implement Educational Freedom

Educational Freedom Terms and Definitions

States that want to champion educational freedom should adopt policies that provide the greatest range of educational options for families and students. In the public school system, this includes the availability of open enrollment, magnet schools, charter schools, and online public schools. Outside the public school system, this includes not only the availability and limited regulation of homeschooling, microschoools, learning pods, and private schools but also tax-credit scholarships and universal ESAs. This ensures that all students, regardless of their income or zip code, can attend a private school or customize an unbundled, home-based education that best meets their educational needs and desires.

In addition to providing a greater range of educational options for families and students, the availability of private school choice programs has shown to improve state outcomes. In *The 123s of School Choice* report, EdChoice analyzed nearly 190 published empirical studies on the effectiveness of private school choice programs and found that they had overwhelmingly positive effects.¹⁴ The analysis considered studies examining whether students who receive and/or use scholarships to attend a private school of their choice achieve higher test scores than students who apply for but do not receive or use scholarships. The analysis found that out of 17 studies, 11 studies (64.70 percent) showed a positive effect, 4 studies (23.53 percent) showed no visible effect and only 2 studies (11.76 percent) showed a negative effect. The analysis also

considered studies examining whether school choice programs influence participating students' likelihood to graduate high school, enroll in college, and attain a college degree. The research found that out of seven studies, five studies (71.43 percent) showed a positive effect, and the remaining two studies (28.56 percent) showed no visible effect. None of them showed a negative effect. Not surprisingly, the analysis also found that parents with children participating in private school choice programs were satisfied with the program. Out of 33 studies, 31 studies (93.94 percent) found parents were satisfied with the program, 1 study (3.03 percent) found no visible effect, and 2 studies (6.06 percent) found parents were not satisfied.

The studies also showed positive effects beyond participating students. Twenty-nine studies examined whether the test scores of students who remain in public schools are affected when other students leave public schools through a private school choice program. Twenty-six studies (89.66 percent) showed improved test scores for students who remained in public schools. One study (3.45 percent) showed no visible effect on test scores, and only two studies (6.89 percent) showed a negative impact on test scores. Eight studies evaluated the effect of private school choice programs on racial and ethnic diversity in schools. Seven studies (87.5 percent) found greater integration, while one study (12.5 percent) found no visible effect. Finally, the analysis also evaluated 75 studies examining the fiscal impact of school choice programs. Of these studies, 69 studies (92 percent) showed the programs generated net savings for taxpayers, 5 studies (6.67 percent) found the programs were cost neutral, and 5 studies (6.67 percent) found the programs generated net costs to taxpayers. EdChoice's evaluation of the 190 empirical studies published from 1998 through 2023 evaluating the effects of private school choice programs demonstrate overall positive outcomes.

14. *The 123s of School Choice: What the Research Says About Private School Choice Programs in America* (EdChoice, 2024), <https://www.edchoice.org/wp-content/uploads/2024/06/2024-123s-of-School-Choice.pdf>. EdChoice notes in its report, "The number of effects detected may differ from the number of studies included in the table because we classify some studies as having detected both positive and negative effects." Therefore, percentages may add up to more or less than 100 percent.

Open Enrollment

States that champion educational freedom from a free market perspective should include statewide open enrollment programs that provide the greatest range of choice for public school students. Open enrollment programs—usually established in statute—allow parents to enroll their child in a public school other than the one the government has assigned.

Although the vast majority of states offer some form of open enrollment program,¹⁵ their accessibility and effectiveness differ greatly. Only 16 states require statewide, cross-district, open enrollment policies to be adopted by school districts,¹⁶ while 13 states require within-district, open enrollment policies.¹⁷ Only 8 states require both cross-district and within-district open enrollment policies.¹⁸ This means the majority of states have voluntary open enrollment programs, leaving it up to each district to decide whether or how it will allow open enrollment. Moreover, many of the states that do have some form of open enrollment allow districts to charge tuition to open enrollment students; only 24 states prohibit districts from doing so.¹⁹ Making open enrollment programs voluntary for states and allowing districts to charge tuition significantly limits the choices available to public school students.

One of the most effective statewide, open enrollment programs is in Arizona,²⁰ where around 98,000 students (or 9.4 percent of all K-12 public school students) used open enrollment during the 2021-2022 school year.²¹ Arizona requires all school districts in the state to establish and implement cross-district and within-district open enrollment policies without charging tuition.²² The policies must be easily accessible from the home page of each school's website and be available in English, Spanish, and any other language used by a majority of the students served by the school or school district. Each school's website must provide updates, by grade level, every 12 weeks regarding the school's capacity and whether the school is accepting open enrollment students. Schools are required to accept students throughout the year as capacity allows. If students are denied because of capacity, they must be added to a waiting list and admitted through a lottery system.

When enrolling students, districts are required to give preference to students who reside in the school's attendance area, students returning to the school from the prior year, and siblings of students already enrolled.²³ Districts may give enrollment preference to students in foster care, students experiencing homelessness, students attending a school that is closing, children of members of the armed forces, children of school or district employees, students residing in the district and their siblings, or

15. See Jude Schwalbach, *Public Schools Without Boundaries 2023* (Reason Foundation, 2023), 9-10, <https://a8d50b36.rocketcdn.me/wp-content/uploads/open-enrollment-public-schools-without-boundaries-2023.pdf>. Only Alabama, Alaska, Maine, Maryland, and North Carolina lack open enrollment programs.

16. See Schwalbach, *Public Schools Without Boundaries 2023*, 9-10. These states are Arizona, Arkansas, Colorado, Delaware, Florida, Idaho, Iowa, Kansas, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Utah, West Virginia, and Wisconsin.

17. See Schwalbach, *Public Schools Without Boundaries 2023*, 9-10. These states are Arizona, California, Colorado, Delaware, Florida, Georgia, Idaho, Ohio, South Dakota, Tennessee, Utah, West Virginia, and Washington.

18. See Schwalbach, *Public Schools Without Boundaries 2023*, 9-10. These states are Arizona, Colorado, Delaware, Florida, Idaho, South Dakota, Utah, and West Virginia.

19. Schwalbach, *Public Schools Without Boundaries 2023*, 9-10.

20. Jude Schwalbach, *Public Schools Without Boundaries 2023: Ranking Every State's Open Enrollment Laws*, Reason Foundation, October 26, 2023, <https://reason.org/open-enrollment/public-schools-without-boundaries-2023/>. Reason Foundation identifies Arizona, Florida, Idaho, Kansas, Oklahoma, and Utah as having the most robust open enrollment laws.

21. See the *FY 2022 Open Enrollment Participation Report*, available through "Data Collection & Reporting for School and Student Membership Data," Arizona Department of Education, accessed November 6, 2025, <https://www.azed.gov/finance/data-collection-reporting-school-and-student-membership-data>. The report recorded 314,377 students attending a different district or charter school and 15,131 students attending a different school within their district. Subtracting the 231,195 Arizona charter school students for the 2021-2022 school year, as reported by National Alliance for Public Charter Schools, results in 98,313 using open enrollment (83,182 cross-district and 15,131 within-district open enrollment) out of a total of 1,051,131 students in public school enrollment in Arizona. See also "Explore Data," National Alliance for Public Charter Schools, accessed November 13, 2025, <https://data.publiccharters.org/#ExploreData>.

22. Arizona Revised Statute ("A.R.S.") § 15-816.01(A) and (E).

23. A.R.S. § 15-816.01(B).

students meeting additional criteria established by the school board.²⁴ Moreover, schools may not limit admission based on ethnicity or race, national origin, sex, income level, disability, proficiency in the English language, or athletic ability.²⁵ The district may provide transportation up to 30 miles each way for students who meet certain economic eligibility requirements. Additionally, the district must provide transportation up to 30 miles each way for students with disabilities “whose individualized education program [IEP] specifies that transportation is necessary to fulfill the program.”²⁶ Arizona’s open enrollment program also includes a robust reporting requirement that directs the Department of Education to develop an annual report for the public and policymakers on the open enrollment participation rate throughout the state.²⁷

State open enrollment programs, based on a free market perspective, should maximize flexibility for families to access the public school that best meets their child’s educational needs. Like Arizona, open enrollment programs should require statewide, cross-district, and within-district open enrollment without tuition. Open enrollment policies and seating capacity by grade level should be easily accessible on a school’s website and updated on a regular basis. Notwithstanding reasonable enrollment preferences, schools should accept all open enrollment students throughout the school year, provided capacity is available. If students are denied because of capacity, schools should admit students on a waiting list through a lottery system as seating capacity becomes available.

Additionally, open enrollment programs should include reasonable transportation assistance for low-income students or students with a disability

whose IEP specifies transportation is necessary. Schools should not deny open enrollment to students with a disability without first evaluating a student’s IEP and determining there is no capacity based on the needs of the student. To track program participation and identify possible improvements to the program, a state open enrollment program should also include annual reporting requirements for the state education agency, tracking not only participation metrics but also open enrollment denials and reasons for denials by school district and school. An open enrollment program with these types of policies will provide the most options for parents and their children.

Magnet Schools

In addition to a flexible, statewide open enrollment program, states championing educational freedom should also have policies that encourage the establishment of more magnet schools. First appearing between the 1970s and 1980s, magnet schools are administered by local school districts and offer specialized curricula and programs that attract diverse students both from within and outside of the district. Magnet schools focus on various educational themes like STEM, fine and performing arts, international studies, career and technical education, and foreign languages (immersion and non-immersion).²⁸ Because of limited seating capacity, magnet schools often use an application process and lottery to admit students.

According to Magnet Schools of America, the national association of magnet and theme-based schools, there are more than 4,300 magnet schools

24. A.R.S. § 15-816.01(C) and (D).

25. A.R.S. § 15-816.01(F).

26. A.R.S. § 15-816.01(G) and (H).

27. A.R.S. § 15-816.01(J): “The department of education shall provide an annual report that informs the public and policymakers of the open enrollment participation rate by school district, school and county, including the number of pupils, by student subgroup designation, in each school and school district that are open enrolled as resident pupils, resident transfer pupils or nonresident pupils for each school district and the school districts and zip codes from which students are enrolling. By fiscal year 2022-2023, this participation report shall also include the number of pupils enrolled in charter schools and the school districts from which those pupils are enrolling.”

28. “What Are Magnet Schools,” Magnet Schools of America, accessed November 6, 2025, <https://magnet.edu/about/what-are-magnet-schools#1499667889100-039b81ce-813c>.

across the country, educating more than 3.5 million students.²⁹ California and Florida each have more than 500 magnet schools, with the next-highest concentration of magnet schools in Illinois, New York, North Carolina, and Texas, each having between 201 and 499 magnet schools.³⁰ Every state except for Wyoming, North Dakota, and South Dakota has at least one operating magnet school.³¹

Magnet schools provide a meaningful option for public school students who share a common interest or educational focus. Free market states should therefore adopt policies that remove unnecessary barriers to the establishment of new magnet schools.

Charter Schools

In addition to robust open enrollment policies and the growth of magnet schools, any K-12 system rooted in free market principles must also champion a strong and expanding public charter school sector. Charter schools, which first appeared in the 1990s, are state funded by taxpayers but privately operated. Unlike traditional district schools, they do not rely on automatic enrollment based on one's zip code. Instead, families choose these schools voluntarily, a powerful form of built-in accountability that ensures charters perform well. By design, charters begin to break the monopoly structure of the current government school system.

Charters enjoy more operational flexibility than district schools, allowing them to experiment with innovative curricula, staffing models, and teaching methods. Some specialize in STEM education, the

arts, or classical learning, while others provide tailored support for at-risk students or unique populations. When charters meet parents' expectations, they grow. When they fail, families leave and the schools close. This market-style feedback loop—success through demand, closure through failure—is exactly the kind of accountability government-run monopolies lack.

Despite their promise, charters face policy barriers that limit growth and stifle innovation. They operate under statutory and regulatory requirements and must contract with state-approved authorizers. In many states, arbitrary enrollment caps prevent charters from meeting demand, while restrictive zoning laws make it difficult or impossible to build new campuses. For example, some municipalities classify charter schools as “special use” facilities, forcing charters through costly and time-consuming permitting processes that traditional public schools often bypass. Removing such barriers, by giving school buildings “permitted use” clearance in all zones, would cut facility costs and allow more resources to reach classrooms rather than being withheld by bureaucratic hurdles.

As public schools, charter schools cannot charge tuition nor provide religious instruction. Charter schools are generally managed by one of three organization types: 1) freestanding, 2) nonprofit charter management organizations (CMOs), and 3) education management organizations (EMOs).³² Funding inequities also undermine charter success. In Texas, for example, charter schools educate more than 441,000 students (about 8.1 percent of the state's public enrollment), yet they receive no local property tax dollars to fund facility costs. Traditional

29. Magnet Schools of America, “What Are Magnet Schools.”

30. *A Snapshot of Magnet Schools in America* (Magnet Schools of America), accessed November 6, 2025, 4, <https://magnet.edu/getinvolved/research-studies/snapshot-of-magnet-schools-report>.

31. *A Snapshot of Magnet Schools in America*, 4.

32. See “How Are Charter Schools Managed?,” National Alliance for Public Charter Schools, accessed November 13, 2025, <https://data.publiccharters.org/knowledge-base/5-how-are-charter-schools-managed/>. During the 2023–2024 school year, 56.43 percent of charter schools were freestanding, 31.31 percent were managed by CMOs, and 12.26 percent were managed by EMOs.

independent school districts received an average of \$13,273 per student during the 2023–2024 school year, while charters received \$11,652—a gap of \$1,621 per student. This shortfall forces charters to divert money away from instruction to cover building and maintenance costs. Uplift Education, a high-performing charter network serving nearly 23,000 mostly low-income students in North Texas, spent \$40 million on facilities in 2023 (about 12 percent of its budget) while receiving just \$3.2 million in state facilities funding.

And yet, charters continue to deliver results. The National Alliance for Public Charter Schools reports that 3.874 million students (7.8 percent of all US public school students) attended 8,140 charter campuses in the 2023–2024 school year.³³ Enrollment has more than quadrupled since 2005,³⁴ with more than half of all charter students concentrated in just five states: California (710,344), Texas (485,689), Florida (396,684), Arizona (231,500), and New York (181,526).³⁵ Among these, Arizona leads the nation, with more than 20 percent of public school students enrolled in charters.³⁶

A stronger commitment to charter schools does not mean replicating the same bureaucratic flaws of traditional schools. For example, some states require charters to administer only the state’s standardized testing, even when a menu of assessments would provide better measures of student learning. Arizona allows schools to choose from multiple assessment options, ensuring rigor while respecting innovation. Expanding this flexibility nationwide would allow charters to focus on what works best for their students instead of forcing students to conform to one-size-fits-all testing.

The free market path forward would suggest that states should do the following:

- Eliminate arbitrary enrollment caps so high-demand charters can grow.
- Reform zoning laws to give schools “permitted use” classification in all zones, lowering barriers to building new campuses.
- Offer multiple assessment options, avoiding state-mandated testing that stifles innovation.
- Preserve autonomy by resisting regulatory creep that would turn charters into district look-alikes.

Charter schools are not the final destination of educational freedom, but they are an essential bridge to it. They demonstrate how competition and parental choice drive quality, even when schools receive fewer taxpayer dollars. Supporting charters’ growth while advancing toward universal ESAs and a single, student-centered funding system allows states to build on this momentum—moving them closer to the truly free marketplace of competitive education.

Online Public Schools

A fourth and often overlooked public school option is fully online public schools—either district, magnet, or charter. Over the past few years, there has been increased growth of fully online or virtual schools. The National Center for Education Statistics reports that during the 2019–2020 school year, there were 691 fully virtual public schools in the country: 218

33. National Alliance for Public Charter Schools, “Explore Data.”

34. National Alliance for Public Charter Schools, “Explore Data.”

35. “Figure 1.3. States with the Largest Charter School Enrollment: 2023–2024 Charter Enrollment,” available through Jamison White, “How Many Charter Schools and Students Are There?,” Top Enrollment, National Alliance for Public Charter Schools, October 30, 2025, <https://data.publiccharters.org/knowledge-base/1-how-many-charter-schools-and-students-are-there/>.

36. National Alliance for Public Charter Schools, “Figure 1.3. States with the Largest Charter School Enrollment: 2023–2024 Charter Enrollment.”

of those were charter schools and 11 were magnet schools.³⁷ The National Alliance for Public Charter Schools reports a growth in virtual charter school enrollment from 193,905 during the 2011–2012 school year (9.41 percent of charter school enrollment) to 459,370 during the 2023–2024 school year (11.86 percent of charter school enrollment).³⁸ With the advance of technology and the growing availability of broadband and high-speed internet into all corners of the country, there will be a growing demand for online public education. States championing educational freedom should also have policies that facilitate the multiplication of these fully online public schools.

Private Schools

States championing free market, limited government principles in K–12 education should also adopt policies that not only strengthen private schools but also protect them from burdensome government regulation and overzealous bureaucrats looking to shut them down with needless “accountability” measures. In turn, these policies must protect a family’s right to send their children to a school that can freely operate based on its unique mission, vision, and values. A recent study of the 2022–2023 school year concluded that approximately 10 percent of K–12

students across the country attended private school.³⁹

The number of private school students has remained rather constant, fluctuating between 4.5 million and 5 million from 2011 through 2021.⁴⁰ The states with the highest percentage of students enrolled in private school during the 2021–2022 school year were Hawaii (18 percent), Wisconsin (15 percent), Delaware (13 percent), Florida (13 percent), Louisiana (13 percent), Maryland (13 percent), New York (13 percent), New Jersey (12 percent), and Pennsylvania (12 percent).⁴¹ The states with the lowest percentage of private school students were Utah (2 percent), Wyoming (2 percent), Alaska (3 percent), Arkansas (5 percent), Nevada (5 percent), Oklahoma (5 percent), and West Virginia (5 percent).⁴²

The US Supreme Court upheld the right of parents to send their children to private school almost 100 years ago. In *Pierce v. Society of Sisters*, 268 U.S. 510 (1925), the US Supreme Court struck down Oregon’s 1922 compulsory education law that required all children (ages 8–16) to attend public school in the district where the student resided. Citing *Meyer v. Nebraska*, 262 U.S. 390 (1923),⁴³ the Court concluded that the Oregon law “unreasonably interfere[d] with the liberty of parents and guardians to direct the upbringing and education of children under their control” (268 U.S. 510, 534–35 [1925]). The Court held

37. “Table 1. Number of Virtual Schools by State and School Type, Magnet Status, Charter Status, and Shared-Time Status: School Year 2019–20,” Common Core of Data: America’s Public Schools, National Center for Education Statistics, accessed November 6, 2025, https://nces.ed.gov/ccd/tables/201920_Virtual_Schools_table_1.asp.

38. “Figure 1.4. Virtual Versus Non-Virtual Charter School Enrollment Across Time,” available through Jamison White, “How Many Charter Schools and Students Are There?,” Virtual vs. Nonvirtual, National Alliance for Public Charter Schools, October 30, 2025, <https://data.publiccharters.org/knowledge-base/1-how-many-charter-schools-and-students-are-there/>.

39. Genevieve Smith and Angela R. Watson, “Household Pulse Survey,” Institute for Education Policy, Johns Hopkins School of Education, accessed November 6, 2025, <https://education.jhu.edu/edpolicy/policy-research-initiatives/homeschool-hub/household-pulse-survey/>. This survey data matches data from the US Department of Education’s *Report on the Condition of Education 2024*, which states that private K–12 enrollment was 4.7 million or 9 percent of public and private school students combined. See the *Report on the Condition of Education 2024* (US Department of Education, 2024), iii, <https://nces.ed.gov/pubs2024/2024144.pdf>.

40. “Figure 1. Number of Kindergarten Through Grade 12 Students Enrolled in Private Schools, by School Orientation: Fall 2011 Through Fall 2021,” available through “Private School Enrollment,” National Center for Education Statistics, accessed November 6, 2025, <https://nces.ed.gov/programs/coe/indicator/cgc/private-school-enrollment>.

41. “Figure 2. Percentage of Kindergarten Through Grade 12 Students Enrolled in Private Schools, by State: Fall 2021,” available through “Private School Enrollment,” National Center for Education Statistics, accessed November 6, 2025, <https://nces.ed.gov/programs/coe/indicator/cgc/private-school-enrollment>.

42. National Center for Education Statistics, “Figure 2. Percentage of Kindergarten Through Grade 12 Students.”

43. In *Meyer v. Nebraska*, 262 U.S. 390 (1923), the Court held that “a state law forbidding, under penalty, the teaching in any private, denominational, parochial or public school, of any modern language, other than English, to any child who has not attained and successfully passed the eighth grade, invades the liberty guaranteed by the Fourteenth Amendment and exceeds the power of the State” (*Meyer* at 391). Under the specific facts of the case, the state of Nebraska could not prohibit a private school teacher from teaching in German.

that the state lacks the authority to force children “to accept instruction from public teachers only” because “the child is not the mere creature of the State; those who nurture him and direct his destiny have the right, coupled with the high duty, to recognize and prepare him for additional obligations” (268 U.S. 510, 535). This case established that a state could not require parents to send their children to public school. Parents had the right to send their children to a private school, including a religious school or a nonsectarian military academy, as were the specific facts in the case.⁴⁴

However, simply allowing parents to send their children to private school is not enough. A free market, limited government state should also ensure that private schools are not weakened or undermined by burdensome government regulations. First, states should eliminate laws that discriminate against private schools. Specifically, regulations making them more difficult and expensive to open and operate (e.g., a discriminatory zoning law requiring a minimum acreage for a private school to operate) should be eliminated. Second, states should eliminate regulations that seek to make private schools more like public schools, such as requiring teacher certification, annual testing, or curriculum restrictions. Free market, limited government states should also not require accreditation, registration, licensing, or approval for private schools. Private schools are ultimately accountable to parents because parents

can withdraw their children from the school if they are displeased. Supply and demand and customer satisfaction, not government bureaucrats, should determine the fate of private schools. Third, states should ensure that private schools are free to operate based on their own mission, vision, and values, free of the cultural preferences or pressures of the state. These free market education policies should apply equally to both religious and secular private schools, as well as to fully online private schools.

Arizona law includes many of these free market, limited government principles. Besides the requirement that certain core subjects be taught and students attend a certain number of school days,⁴⁵ Arizona law otherwise prohibits the state board of education and school districts from controlling or supervising private schools.⁴⁶ Moreover, the law is clear that private schools, even if they receive tuition payments from students in Arizona’s ESA program, cannot be controlled or supervised by any government agency.⁴⁷ They cannot be required to alter their “creed, practices, admissions policy or curriculum in order to accept students” as part of the ESA program.⁴⁸ And if there is any legal challenge associated with the control of private schools educating ESA students, “the state bears the burden of establishing that the law is necessary and does not impose any undue burden on qualified schools.”⁴⁹ This model should be pursued by all lawmakers wishing to implement free market, limited government education policies.

44. See *Pierce v. Society of Sisters*, 268 U.S. at 536. Interestingly, the 1922 Oregon compulsory education law that the US Supreme Court struck down for not allowing parents to send their children to private schools did allow for “private instruction” either by “a parent or private teacher,” which we now recognize as homeschooling or home-based education.

45. A.R.S. § 15-802(A), “Every child between the ages of six and sixteen years shall attend a school and shall be provided instruction in at least the subjects of reading, grammar, mathematics, social studies and science.” A.R.S. § 15-802(B)(1), “B. The parent or person who has custody shall do the following: 1. If the child will attend a public, private or charter school, enroll the child in and ensure that the child attends a public, private or charter school for the full time school is in session. In accordance with guidelines adopted by the Department of Education, school districts and charter schools shall require and maintain verifiable documentation of residency in this state for pupils who enroll in the school district or charter school. If a child attends a school that is operated on a year-round basis, the child shall regularly attend during school sessions that total not less than one hundred eighty school days or two hundred school days, as applicable, or the equivalent as approved by the superintendent of public instruction.”

46. A.R.S. § 15-161, “Nothing in this title shall be construed to provide the state board of education or the governing boards of school districts control or supervision over private schools.”

47. A.R.S. § 15-2404(A), “A. This chapter does not permit any government agency to exercise control or supervision over any nonpublic school or homeschool.”

48. A.R.S. § 15-2404(C), “C. A qualified school shall not be required to alter its creed, practices, admissions policy or curriculum in order to accept students whose parents pay tuition or fees from an empowerment scholarship account pursuant to this chapter in order to participate as a qualified school.”

49. A.R.S. § 15-2404(D), “D. In any legal proceeding challenging the application of this chapter to a qualified school, the state bears the burden of establishing that the law is necessary and does not impose any undue burden on qualified schools.”

A free market, limited government state will protect the right of parents to direct the upbringing and education of their children and, by extension, the right of private schools to operate based on their own unique mission and vision, whether brick-and-mortar or online.

Homeschools

A state championing educational freedom with free market, limited government principles should likewise defend the right of parents to educate their child at home. The percentage of homeschooled students in the country continues to increase and has remained higher even following the COVID-19 pandemic: 1999 (1.7 percent), 2003 (2.2 percent), 2007 (3 percent), 2012 (3.4 percent), 2016 (3.3 percent), 2019 (2.8 percent), 2020 (5.4 percent), 2022 (5.82 percent).⁵⁰ Although the US Supreme Court upheld the right of parents to send their children to a private school in 1925, the Court did not uphold a parent’s right to homeschool their children until 1972.

In *Wisconsin v. Yoder*, 406 U.S. 205 (1972), the US Supreme Court held that the state could not compel Amish parents to send their children to attend formal high school up to the age of 16, because it violated their rights under the Free Exercise Clause of the First Amendment, applicable to the states through the Fourteenth Amendment (*Yoder* at 234). The Court reasoned the case involved “the fundamental interest of parents . . . to guide the religious future and education of their children” (*Yoder* at 232). The Court recognized that “the history and culture of

Western civilization reflect a strong tradition of parental concern for the nurture and upbringing of their children. This primary role of the parents in the upbringing of their children is now established beyond debate as an enduring American tradition” (*Yoder* at 232).

Homeschooling is now legal in all 50 states;⁵¹ however, homeschooling regulations vary widely. Many states include reasonable regulations, such as requiring certain subjects be taught, a minimum number of instruction days, or notification that a student is being homeschooled.⁵² In contrast, some states include more stringent regulations,⁵³ with most states falling somewhere in the middle. States with the most restrictive regulations require burdensome elements, such as the submission of Individualized Home Instruction Plans, or IHIPs (including the used syllabi, curriculum, and textbooks and plan of instruction), quarterly reports, annual assessments and standardized tests, detailed attendance records, and annual reports to be evaluated by an independent third party. Some states provide more than one homeschooling option beyond that of a parent teaching their child.⁵⁴ Some of the additional homeschooling options, which are more highly regulated, include the use of a private teacher or tutor, use of a multifamily homeschool group, or schooling through a nonpublic school designation, for example.

States championing educational freedom through a free market, limited government lens should have flexible homeschool laws that empower parents to craft their own home-based education free from unnecessary governmental intrusion. Requiring

50. “Figure 1. Percentage of Homeschooled Students Ages 5 Through 17 with a Grade Equivalent of Kindergarten Through 12th Grade: Selected Years, 1999 Through 2019,” available through “Homeschooled Children and Reasons for Homeschooling,” National Center for Education Statistics, accessed November 6, 2025, <https://nces.ed.gov/programs/coe/indicator/tgk/homeschooled-children>; Smith and Watson, “Household Pulse Survey.”

51. “Homeschool Laws by State,” Home School Legal Defense Association (HSLDA), accessed November 6, 2025, <https://hsllda.org/legal>.

52. See HSLDA, “Homeschool Laws by State.” Some of the states with low regulation include Alaska, Arizona, Connecticut, Idaho, Indiana, Michigan, New Jersey, Oklahoma, Illinois, and Texas.

53. See HSLDA, “Homeschool Laws by State.” The states with the highest regulation of homeschooling are Massachusetts, New York, Pennsylvania, and Rhode Island.

54. See HSLDA, “Homeschool Laws by State.” States that have more than one way to homeschool include Alabama, Alaska, California, Delaware, Florida, Iowa, North Dakota, Louisiana, Maine, Maryland, Michigan, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, Washington, and West Virginia.

parents to teach certain core subjects or having them notify the state that they are homeschooling their children are reasonable requirements. However, requiring IHIPs, quarterly and annual reports, detailed attendance records, annual assessments, and standardized tests are burdensome regulations that discourage homeschooling and are, in fact, unnecessary governmental intrusions into the home. In addition to undermining limited government principles, these burdensome regulations also threaten “the fundamental interest of parents . . . to guide the religious future and education of their children,” as the Supreme Court recognized in *Yoder* (see 406 U.S. at 232). Parental rights, free speech, and religious freedom are all threatened when the content of what parents are teaching their children at home is subject to governmental scrutiny and oversight.

Further, the use of a private teacher or being part of a multifamily homeschool group should not warrant additional mandates, like requiring the use of certified teachers or more strict recordkeeping or testing requirements. Parents should be free to educate their children, provided they agree to teach certain core subjects as they see fit. They may provide the majority of the instruction themselves, hire a private tutor/teacher, join a homeschooling group, enroll their child in an online school, or use a combination of these educational approaches.

Additionally, to protect homeschoolers from unwarranted government regulation, it is necessary to legally distinguish students who are homeschooled under a state homeschool statute from students being home educated under a state’s ESA program. ESAs are publicly funded scholarships requiring a level of governmental oversight not applicable to traditional homeschools.

Microschools and Learning Pods

During the COVID-19 pandemic, microschoools—typically small, community-based learning environments (often of fewer than 20–30 students)—emerged as a flexible, innovative solution to the challenges posed by the traditional education system. As schools across the country closed their doors, families sought alternatives that offered personalized, in-person learning experiences while maintaining safety protocols. These microschoools became popular, as they could operate with fewer students, allowing for more individualized attention and the ability to adapt quickly to changing health guidelines. These schools often combined elements of homeschooling with cooperative learning models, with some organized by groups of parents or education entrepreneurs. The pandemic highlighted the potential of microschoools to provide more tailored and resilient educational options, prompting a growing interest in such models even beyond the health crisis.

States championing educational freedom should allow for microschoools as an additional school choice option. However, this does not mean statutes should legally define microschoools, because legal definition will likely precede unnecessary and burdensome regulation. Rather, homeschool laws should be flexible enough to allow homeschooling parents to form a microschoool for their children. Even if the microschoool involves a paid teacher or director, the model best mirrors homeschooling co-ops rather than a traditional private school and, therefore, should be treated as such. Further, if students were to use ESA scholarship funds to pay tuition at the microschoool, the teachers would need to meet the requirement of tutors or education service providers in the scholarship program.⁵⁵ For example, Arizona’s ESA program requires tutors or education service providers to be licensed, certified, or accredited depending on the services provided. Separate regulation of the microschoool as a whole is not needed.

55. These requirements are discussed in detail in the section on “ESAs” that follows on page 18.

Tax-Credit Options

States championing educational freedom informed by free market and limited government principles should implement expansive tax-credit scholarships so that more families can access private school education. As of 2024, 20 states have at least one tax-credit scholarship program in which individuals or corporations can contribute to a qualified school tuition organization, sometimes called a scholarship granting organization. The program, in turn, distributes private school scholarships to students based on statutory guidelines.⁵⁶ Arizona was the first state to pass a tax-credit scholarship program for private schools in 1997. The combined tuition tax-credit programs in Arizona have grown from \$1.8 million in 1998 to \$264 million in 2023.⁵⁷

EdChoice estimates that there are approximately 247,867 students benefiting from tax-credit scholarships across the country.⁵⁸ While there is a total of 24 tax-credit scholarship programs,⁵⁹ states considering tax-credit scholarship programs should look to Arizona, Montana, and Ohio for guidance on the most broad free market approach. In those states, students are 100 percent eligible. This means that any family can apply for a tax-credit scholarship regardless of their income or zip code. States often begin with limited scholarship programs that are open to marginalized populations of students, such as low-income or special needs families. Then, over time, states expand program eligibility or raise caps that are often set on the total amount of tax-credit scholarship contributions.

States applying free market, limited government principles to K-12 education should consider implementing the following policies: tax-credit scholarship programs with allowance of 100 percent student eligibility; no caps on contributions or on an “escalator” where the program contributions can grow each year; allowance of private diagnosis paperwork in addition to public school evaluation paperwork (such as IEPs or 504 plans) to qualify for special needs tax-credit scholarships; and the ability to use a tax-credit scholarship with a state ESA program, sometimes called scholarship “stacking.” Implementing these policies will help maximize the benefits of tax-credit scholarships, ultimately unlocking private school education for more families.

Refundable tax credits are also an option for states to consider. Alabama has the country’s first refundable tax-credit program, which debuted in 2013.⁶⁰ Families who take their student from a priority public school to a qualifying public or private school are eligible. The average credit is around \$3,478, but unfortunately, use of the program has declined since 2016. As of 2022, data shows only 44 individuals had claimed the credit. The most obvious challenges with the Alabama refundable tax credit are the limitations on who qualifies. States that are looking for a more free market approach should consider allowing any child to participate who is not enrolled in a public school.

South Carolina also has a refundable tax credit, which was enacted in 2015. Families who have a student with special needs can be reimbursed up to what they paid for private school tuition.

56. “Tax-Credit Scholarships,” EdChoice, accessed November 6, 2025, <https://www.edchoice.org/school-choice/types-of-school-choice/tax-credit-scholarship/>.

57. *School Tuition Organization Income Tax Credits in Arizona Fiscal Year 2023* (Arizona Department of Revenue, 2024), 1, https://azdor.gov/sites/default/files/document/REPORTS_CREDITS_2024_fy2023-private-school-tuition-org-credit-report.pdf.

58. “School Choice Facts & Statistics,” EdChoice, accessed November 6, 2025, <https://www.edchoice.org/school-choice/fast-facts/>; EdChoice, “Tax-Credit Scholarships.”

59. EdChoice, “Tax-Credit Scholarships.”

60. EdChoice, “Tax-Credit Scholarships.”

As of 2023, the average credit was \$9,400, and there were 624 participating taxpayers as of 2022. One of the challenges with the South Carolina program is the cap on credits. Presently, only \$2 million in credits are available. Because funds can be reimbursed only for tuition, parents are limited despite the tax credit being fully refundable up to \$11,000.

Refundable tax credits are a worthy policy option, but they should be available for all families and should not be limited by state caps or expenses (e.g., tuition-only expenses).

Educational Choice for Children Act

The Educational Choice for Children Act, or ECCA, was passed by Congress on July 4, 2025, and signed into law as part of what is commonly known as the One Big Beautiful Bill. The ECCA goes into effect January 1, 2027. Its passage creates America's first federal tax-credit scholarship program as part of the tax code. The ECCA would offer a nonrefundable federal income tax credit that is equal to the amount donated, up to \$1,700 per tax return. The goal of the ECCA is to expand education opportunities and K-12 education funding for American families.

While rulemaking is still taking place, unused credits can be carried forward for up to five years, and there is no overall federal cap on credits issued. However, states must opt in to the ECCA by authorizing scholarship granting organizations, or SGOs, to participate in the program.

Eligible families must live in households with incomes at or below 300 percent of their area's median gross income and be eligible to enroll in a public K-12 school. Scholarships can be used for a wide variety

of education expenses, like tuition and fees for private schools and microschools, books, online educational programs and technology, tutoring and educational therapies, and even dual-enrollment courses.

Beginning January 1, 2027, if an individual pays federal income tax, they can support K-12 scholarships for students by donating up to \$1,700 per year to a qualified SGO and get a dollar-for-dollar tax credit. Individuals cannot earmark a specific student with their donation, and businesses are not eligible for the credit. 2026 is a critical time for states to opt in by designating approved and eligible SGOs.

ESAs

Of all the educational freedom policies and programs discussed so far, ESAs—if properly designed—can provide the greatest range of educational options for families and students. As of 2024, 17 states have some form of ESA program.⁶¹ ESAs are publicly funded savings accounts, allowing participating students to use the funds for various educational purposes, including tuition, tutors, therapists, curricula, and textbooks. Although the number of states with ESAs has increased over the past few years, many of the programs are quite limited in scope. Some states cap the number of students allowed in the program. Others restrict the program to low-income students or students with disabilities. Some programs require participants to have been enrolled in public school the prior year. All these restrictions limit the ability of ESAs to grow organically based on market demand.

One program that many states have based their statutes on is Arizona's Empowerment Scholarship Account program, which became the first universal ESA program in the country in 2022. Arizona's

61. See "What Is an Education Savings Account (ESA)?" EdChoice, accessed November 6, 2025, <https://www.edchoice.org/school-choice/types-of-school-choice/education-savings-account/>. These states are Alabama, Arizona, Arkansas, Florida, Georgia, Indiana, Iowa, Mississippi, Montana, New Hampshire, North Carolina, South Carolina, Tennessee, Utah, West Virginia, and Wyoming.

Empowerment Scholarship Account program began in 2011 for students with disabilities and expanded to more categories over the years, until 2022 when it became available to all K-12 students in the state.⁶² Prior to the universal expansion, there were 12,127 students in the program.⁶³ As of November 2024, there were more than 82,000 students in the program.⁶⁴ Students taking part in the Empowerment Scholarship Account program receive 90 percent of state funding, which can be used for various educational purposes, including tutors, therapists, and private school tuition.⁶⁵ This results in more than 70 percent of participants receiving annual scholarships between \$6,000 and \$8,000, distributed on a quarterly basis.⁶⁶ Arizona's Empowerment Scholarship Account program also uses a weighted funding model, which means that students in disability categories with greater funding multipliers receive larger scholarships.⁶⁷ Depending on the disability, the scholarship might be only slightly higher than the standard scholarship range but up to more than \$30,000 for children with disabilities requiring more resources, such as those with autism or multiple disabilities. This weighted model ensures the program is useful to students with disabilities.

States championing educational freedom based on free market, limited government principles should seek to implement a universal ESA program available to all K-12 students that provides flexibility for families to customize their education. The program should not be capped, geographically limited, or restricted to smaller subsets of students. The program should be available to all students, regardless of

their zip code, family income, or whether they have attended public school. The program should likewise use a weighted funding model so that students with disabilities receive enough scholarship funds to make the program a viable option.

As in Arizona, use of scholarship funds for educational purposes should be flexible, allowing families to access the private school of their choice or to customize an unbundled, home-based education. Therefore, limiting the use of funds to a set of approved or accredited private schools, vendors, or service providers should be avoided. Nor should ESA programs require the use of state-certified teachers or approved online educational programs. ESA programs should not include testing requirements on home-educated ESA students or students attending private school. These flexible policies ensure the government does not unduly interfere with the rights of parents who are educating their children at home through an ESA or the right of private schools to determine the curriculum and the desired educational outcomes of their students. Imposing additional administrative burdens and governmental oversight on private schools could have a chilling effect on a school's willingness to receive ESA students. Finally, to further maximize the usefulness of the ESA program, it should allow rollover of scholarship funds year to year and should allow the use of scholarship funds for postsecondary education, as is allowed under Arizona's Empowerment Scholarship Account program.

62. Arizona Empowerment Scholarship Accounts, 2011 Ariz. Legis. Serv. Ch. 75 (S.B. 1553), <https://azmemory.azlibrary.gov/nodes/view/21027?keywords=2011+ses-sion+laws+chapter+75&type=all&highlights=WylyMDExliwic2Vzc2lvbilsImxhd3MILCJjaGFwdGVyIiwNzUixQ%3D%3D&sk=722224e19b4d686ea75693eeacfa0035>; Arizona Empowerment Scholarship Accounts, 2022 Ariz. Legis. Serv. Ch. 388 (H.B. 2853), <https://azmemory.azlibrary.gov/nodes/view/277547?keywords=2022&highlights=WylyMDIyIj0%3D&sk=a900bef9ecf0d64572bd1335a33862e8>.

63. *Empowerment Scholarship Account (ESA) Quarterly Report to the Arizona State Board of Education: Fiscal Year 2022, Quarter 4* (Arizona Department of Education, 2022), 2, <https://www.azed.gov/sites/default/files/2022/09/FY2022%20Q4%20ESA%20Report.pdf>.

64. "Empowerment Scholarship Account," Arizona Department of Education, accessed November 6, 2025, <https://www.azed.gov/esa>.

65. See A.R.S. § 15-2402(C). Arizona ESA scholarship funds do not include local or federal funds.

66. *Arizona Empowerment Scholarship Account (ESA) Program: Fiscal Year 2024 Quarter 4 Report Pursuant to Arizona Revised Statutes § 15-2406* (Arizona Department of Education, 2024), 36, <https://www.azed.gov/sites/default/files/2024/08/ESA%20FY24%20Q4%20Executive%20Legislative%20Report.pdf>.

67. See A.R.S. § 15-2402(C), which notes that an ESA scholarship amount is "ninety percent of the sum of the base support level and additional assistance prescribed in sections 15-185 and 15-943 for that particular student if that student were attending a charter school." Per A.R.S. § 15-943(2)(b), the "base support level" is a weighted amount, calculated by multiplying the basic per pupil amount by weighted multipliers (depending on a student's disability) used by public school funding established in statute. Also per A.R.S. § 15-943(2)(b), examples of multipliers include 0.292 for a student with speech-language impairment, 6.024 for a student with autism, and 4.771 for a student with a hearing impairment.

ESA programs built around free market, limited government principles should seek to provide the most flexibility for the customers—the parents and their children. However, the policies mentioned are not enough. Flexible statutory provisions must be complemented with equally flexible implementation rules and policies. A statutorily flexible program can be undermined by restrictive and burdensome implementation rules and policies—for the sake of so-called accountability—that simply result in the limitation of school choice for families and the further growth of government.

ESA Implementation

A well-designed ESA program based on free market and limited government principles may nonetheless be derailed in its implementation unless these same principles are applied in this crucial last step.

Once signed into law, ESA programs are typically administered and implemented by a state agency or program administrator, depending on the statutory framework. Unfortunately, ESA implementation has often resulted in the reduction of choice for parents, the introduction of market inefficiencies, and the bloating of government, often in the name of so-called accountability.

In an ESA program, the “customer” is the parent, who is making purchases with their ESA for their child’s education, whether it is for private school or for the vast range of educational goods and services available, such as tutors, online programs, educational materials, and so forth. In a free market, there are buyers (e.g., parents) and sellers (e.g., private schools, vendors, therapists, education service providers). These buyers and sellers should

be the ones who determine prices and, therefore, the supply of goods. However, one of the prevailing problems that has arisen in ESA implementation is the excessive involvement of the state agency or program administrator. Often, this overregulation leads not only to less freedom and choice for parents to purchase educational items and services for their children but also to less opportunity for buyers and sellers to have efficient exchanges.

Although Arizona’s universal ESA program is the gold standard of ESA programs, its lackluster implementation has revealed areas of needed improvement. As expected, the program grew rapidly once it became universal. The Arizona Department of Education (ADE), which manages the program, could have left the existing flexibility in place to handle the program’s rapid growth. Instead, ADE changed course from prior administrations and decided it would no longer make debit cards available to new program participants. It also decided to begin evaluating every receipt instead of using risk-based auditing and an annual review of a sample of ESA accounts, as required in the statute.⁶⁸ Among other things, this new policy has resulted in a massive expansion of government at ADE.

To be sure, a universal ESA program requires more staffing; however, policy decisions could have been made to limit the size of government at ADE. ADE’s budget for administering the ESA program, for staff and employees, has dramatically increased from \$2,176,400 in fiscal year (FY) 2023 to \$4,551,600 in FY 2024.⁶⁹ These budget allocations do not include the 2–2.5 percent processing fees ESA families pay for each transaction (except with reimbursements) to the state-contracted, third-party vendor. This is an additional cost to the state and ESA families that is

68. Per A.R.S. § 15-2403(B), “B. The department shall conduct or contract for annual audits of Arizona empowerment scholarship accounts to ensure compliance with section 15-2402, subsection B, paragraph 4. The department shall also conduct or contract for random, quarterly and annual audits of Arizona empowerment scholarship accounts as needed to ensure compliance with section 15-2402, subsection B, paragraph 4. The department, in consultation with the office of the auditor general, shall develop risk-based auditing procedures for audits conducted pursuant to this subsection.” Further, per A.R.S. § 15-2403(C), the statute also requires ADE to annually review a sample of ESA accounts, selected at random, to determine compliance with the terms of the ESA contract and applicable laws, rules, and orders.

69. *FY 2024 Appropriations Report* (Department of Education, 2024), accessed November 6, 2025, <https://www.azjbc.gov/24AR/ade.pdf>.

often overlooked. Arizona's state budget for FY 2025 combined the ESA administration budget with the general K-12 budget, so the exact ESA administrative cost is no longer transparent to the public.⁷⁰ States seeking to implement ESA programs grounded in free market and limited government principles should take heed to what has happened in Arizona.

In addition to unnecessarily growing the size of government through unreasonable policies, ADE has restricted the program beyond what seems to have been the intent of the legislature. For example, ADE screens the vendors allowed on the third-party vendor platform (ClassWallet), scrutinizes every single educational expense, and limits how much of the scholarship funds can be spent on certain allowable educational items or categories. These "accountability" and "cost containment" policies and practices have resulted in fewer educational options for students, higher prices for educational items, and less access to new and innovative educational materials. ESA parents have also reported in public comment that prices inside the ClassWallet marketplace sometimes seem to be higher than if parents were able to use their own accounts at online stores like Amazon. Processing fees of 2 percent, which are applied to every order inside the direct pay system, create confusion for ESA families and raise the cost of tuition.

Learning from the implementation of Arizona's universal ESA program, ESA statutes and rules in other states would benefit from clearly delineating the authority and discretion that program administrators have in approving or restricting statutorily allowable educational items and services. If policymakers want parents to have flexibility in using scholarship funds for allowable educational expenses, they should make sure the statutory language reflects this policy objective.

Following are some additional policy considerations for states desiring to implement a free market and limited government ESA program.

Reduce Bureaucracy

Maintain as few layers of bureaucracy as possible between the state and the parents (the customers). For example, requiring that a nonprofit run a state's ESA program in partnership with the state may add additional implementation costs and layers of bureaucracy. It could also create inefficiencies in payment processing and confusion for parents regarding statute interpretation and who has the final say on approved items. To increase efficiency, conserve resources, and reduce the size of government, states should consider using risk-based auditing rather than evaluating every single purchase.

Consider Flat Fees

Set flat fees for third-party vendors operating the program and do not agree to contracts that charge fees as percentages of every scholarship transaction. Some states offer flat transaction fees, such as Iowa. States like Arizona allow 2 percent to be taken from every transaction through the direct pay platform, and the total cost of the fees is not tracked or available for public record due to it being managed by a private company.

Outsource Tasks

Consider outsourcing expensive and time-consuming tasks to a private industry. For example, some states outsource application processing or require the third-party vendor to process applications. In Iowa, for example, the third-party vendor, Odyssey, can process applications in seconds, whereas in Arizona it takes two to four weeks for ADE to process applications.⁷¹

70. Department of Education, *FY 2024 Appropriations Report*.

71. *ESA Implementation Roadmap: Executive Summary* (Yes. Every Kid. Foundation., 2024), <https://yeseverykidfoundation.org/esa-implementation-roadmap-student-applications/>. When Iowa's program was launched, "Odyssey, with its cutting-edge technology, was instrumental in providing a seamless and modern experience for families. The platform used an automated approval process for applicants, enabling the successful verification of applicants' residency, income, and identification within seconds rather than weeks."



Allow Multiple Purchase Options

Allow multiple pathways for purchases, such as through direct pay, marketplaces, and debit cards. In a recent Heritage Foundation report, Arizona parents shared that they were able to make purchases faster and more easily when they had a debit card to pay therapists, tutors, and vendors. Payment inside the platform, on the other hand, required parents to receive ADE approval first, causing delays between two to six weeks for educational items, tuition payments, and curricula.⁷²

Foster Competition Among Third-Party Vendors

Evaluate multiple third-party vendor options. Consider selecting two to three financial vendors and give parents the option to choose which services they need. A recent State Policy Network report, *Breaking the Monopoly of ESA Implementation*, suggests that instead of awarding an expensive, multiyear contract to one third-party vendor, why not consider multiple vendors and allow them to compete for ESA parent business?⁷³

To conclude, a well-designed ESA program based on free market and limited government principles should be implemented in a way that complements and does not undermine these principles. Implementation—whether in statute, rule, or policy—should be designed to maximize choice for ESA families, reduce market inefficiencies, and limit the size of government.

Innovation

Deregulation increases competition and encourages innovation. ESA implementation should therefore focus on limiting restrictions on approved ESA expenses and providing as much flexibility and freedom as possible to ESA families. This flexibility allows for a free market landscape where innovation can thrive. Notwithstanding the areas of improvement already discussed, Arizona’s ESA program has historically had the lowest regulatory barriers for ESA expenses, and, as a result, innovation has thrived.

72. Jason Bedrick, *Education Choice at a Crossroads: A Survey of Arizona Families Who Use Empowerment Scholarship Accounts*, Backgrounder no. 3881 (The Heritage Foundation, 2024), <https://www.heritage.org/education/report/education-choice-crossroads-survey-arizona-families-who-use-empowerment>.

73. Katherine Bathgate, *Breaking the Monopoly of ESA Implementation* (State Policy Network, 2024), <https://spn.org/breaking-the-monopoly-of-esa-implementation/>.

The following list provides examples of Arizona’s customer-focused ESA regulations, which have allowed state ESA students to access innovative educational providers:

- There is no state testing requirement for private school or home-educated ESA students.
- There is no requirement for submission of a home education portfolio or work samples.
- There is no requirement for proof of “growth,” and there are no arbitrary academic achievement requirements.
- There is no requirement for tutors or teachers to be certified by the state.
- All online schools and online education programs are allowed. There are no in-state requirements, and the list of approved online providers is not limited.
- Reimbursements are allowed for education service providers and for tuition in case a vendor prefers not to be on the third-party vendor platform.
- Supplementary materials required or recommended by a curriculum are approved.
- Innovative options like microschools, tutoring, and education pods are allowed.
- Online education subscription programs (Kiwi Crate, Maker Crate, etc.) are allowed.
- There are no statutory limits on costs for materials like 3D printers, computers, and STEM items.

As a result of low regulatory barriers, many new schools and education service providers have launched in Arizona or have chosen to serve Arizona ESA students because of direct access to their customers.

Unlike in states such as Florida,⁷⁴ any online school in Arizona can immediately serve ESA students.

There is no yearlong approval process that limits vendors or that can require monopolies to exist for approved online educators. Online programs such as Synthesis, 2 Hour Learning, Curious Cardinals, Britestar Virtual, Veritas Scholars Academy, Tutero, and many more have focused their efforts on serving ESA families. The result is an incredible menu of choices for Arizona ESA students that clearly puts them at an advantage in comparison to students in other states.

Additionally, more in-person options are flourishing in Arizona because of its low regulatory barriers for opening private schools, microschools, and educational co-ops. Two exceptional examples

include Arcadia Christian Academy, a three-day-a-week hybrid program that had 320 students enrolled in its second year, and Arrows Christian Academy, an integrative school for students with disabilities that offers both three-day-a-week and five-day-a-week instruction. Other examples include Primer Microschools, KaiPod Learning, Desert Sun Ranch Academy, Moreana Boys Academy, The Gifted Collective, United Collective Community, and dozens of other microschools and private schools.

74. FLA. STAT. § 1002.45 (Virtual Instruction Programs).

States seeking to pass transformational free market ESA programs that encourage innovation and educational entrepreneurship should consider the following policies:

- **Instant Approval:** Instead of creating a three-to-six-month waiting period for approval by a state agency, allow programs and schools to be instantly approved as soon as a parent wants to enroll or use their services.
- **Removal of Testing Requirements:** Requiring innovative educational programs to submit to often outdated state testing requirements simply means fewer vendors will choose to serve ESA families in that state.
- **Streamlined Payments:** Many states require front-end expense approval, and, as a result, payments to the vendor can be delayed for four to six weeks. Allow immediate approval or reimbursements instead.
- **Protection Against Overdefining:** Avoid the trap of trying to define every education option as a “microschool” or “hybrid school.” This limits entrepreneurship and stifles innovators from wanting to work in a state. It also negatively impacts local parents and teachers, discouraging them from creating new educational options, particularly in rural communities.



Conclusion: Advancing Educational Freedom for America's Future

America's education system needs improvement. Decades of rising spending—nearly \$900 billion annually, or more than \$18,000 per student—have failed to produce gains in student achievement.

NAEP scores reveal alarming declines in math and reading proficiency, with fewer than one-third of students performing at grade level. At the same time, bureaucratic costs consume larger portions of education budgets, while families remain locked into a system that too often prioritizes institutions over students.

The evidence throughout this handbook demonstrates that educational freedom, rooted in free market principles, is the way forward. When funding follows student needs instead of systems, schools must compete to provide better outcomes. When parents are empowered with real choices, they hold providers accountable. And when innovation is unleashed, students benefit from tailored learning opportunities that prepare them for success in a dynamic economy.

States like Arizona and Florida show that these reforms work. Universal ESAs, robust charter and magnet schools, and open enrollment policies have improved graduation rates, narrowed achievement gaps, and saved taxpayers billions of dollars. Research confirms these results: More than 65 percent of studies on private school choice show positive academic outcomes, 71 percent show higher attainment, and 87 percent demonstrate fiscal savings. Meanwhile, states that cling to the monopoly model, like New York—spending more than \$33,000 per student, with poor results—show that money alone cannot fix structural failure.

Texas offers a telling example. By passing Senate Bill 2 in 2025, the state finally created an ESA program, but it is capped at about 90,000 students—just 1.4 percent of the state's 6.3 million school-aged children—and excludes many families through income restrictions. If Texas embraced a universal ESA model with full funding of around \$12,000 per student, it could cover every child in the state, save nearly \$25 billion annually, and provide a pathway to phasing out school district maintenance and operations property taxes. This is the type of bold reform needed to transform education and reduce the burden on taxpayers.

Importantly, accountability must not be confused with bureaucracy. Despite reams of reporting, public schools rarely face closure for chronic failure. By contrast, in a competitive system, accountability is direct and immediate: Families walk away from schools that do not deliver. True accountability is grounded in choice, not compliance.

The task now for policymakers is clear:

- Enact truly universal ESAs open to all students, with full flexibility in spending.
- Implement single-pot funding models that treat all students equally, regardless of school type.
- Remove regulatory barriers that limit innovation in charter schools, private schools, homeschools, and microschools.
- Ensure fiscal responsibility by reducing administrative bloat and redirecting resources into classrooms.
- Encourage entrepreneurship in education, allowing teachers and innovators to create new models of learning.

Educational freedom is more than an economic reform; it is a civil rights imperative. It ensures that every family, regardless of income or zip code, can pursue an education aligned with their values and their child's needs. It strengthens the workforce, fuels economic growth, and prepares the next generation for self-reliance and citizenship.

The Club for Growth Foundation is committed to advancing this vision. We believe the best way to honor America's promise is to ensure that every child has access to the opportunities they need to prosper. This handbook provides the road map. The principles are clear. The evidence is overwhelming. The demand from families is undeniable.

The time for half measures has passed. If states embrace universal ESAs and other market-based reforms, they can replace a failing monopoly with a thriving education marketplace that rewards innovation, prioritizes students, and delivers results. The stakes could not be higher, but the opportunity has never been greater. With bold leadership, America can build an education system worthy of its children and its future.



