

Education Freedom Account Annual Report

2023-2024 school year

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Cover letter

September 30th, 2023

To: Arkansas Legislative Council
House Committee on Education
Senate Committee on Education

From: Jacob Oliva
Secretary of Education
Arkansas Department of Education

Re: Education Freedom Accounts | 2022-2023 Annual Report

Dear Council and Committee members,

The Arkansas Department of Education (“ADE” or “the Department”) is pleased to submit this Education Freedom Account (“EFA”) annual report for the inaugural year of EFAs, pursuant to Ark. Code Ann. § 6-18-2510. This report covers the period between the launch of EFAs (June 19, 2023) and September 20, 2023.

Sincerely,

Jacob Oliva
Secretary of Education
Arkansas Department of Education

Executive Summary

Report overview

- ▶ ADE is pleased to present its inaugural Education Freedom Account Annual Report, as is required by Ark. Code Ann. § 6-18-2510.
- ▶ This report includes statistics on family, school, and service provider participation in Education Freedom Accounts, as well as reports preliminary fund use and fiscal impact data.

Education Freedom Accounts at a glance

- ▶ Education Freedom Accounts is a school choice initiative that empowers parents by providing funding for eligible students to attend participating private schools:

4,795+

Participants

\$6,672

EFA account value

94

Participating schools

\$7.1m

EFA spending to-date
(\$32.5m expected for year)

1/4

Quarterly payments
disbursed

4

Participating service
providers

Opportunities for next year

- ▶ Looking ahead, ADE has identified several opportunities for Education Freedom Accounts in upcoming years, including:
 - Expanding the supply of high-quality elementary and secondary school choice options throughout Arkansas, particularly in currently underrepresented geographies.
 - Facilitating the onboarding and recruitment of service providers as expanded expense eligibility criteria take effect.
 - Deploying a deliberate and systematic approach to EFA program participation, including, but not limited to, enacting a lottery system with prioritization for certain eligible special populations

Introduction

Report overview:

In accordance with Ark. Code Ann. § 6-18-2510, the Department presents this annual report regarding the implementation of Education Freedom Accounts to the Arkansas Legislative Council (or Joint Budget Committee if the General Assembly is in session), House Committee on Education, and Senate Committee on Education. This report reflects data and information between the launch of EFAs (June 19, 2023) and September 20, 2023. As stipulated in Ark. Code Ann. § 6-18-2510, this report includes the following:

1. The total number of students currently participating in the program
2. A list of all participating schools and participating service providers
3. The total student enrollment of each participating school and the percentage of the total enrollment of each school represented by participating students
4. The percentage of funds used for each type of qualifying expense
5. A preliminary analysis of the program's fiscal impact

This report has been assembled prior to the conclusion of the inaugural year of EFAs, and as such, the following topics have not been included. These items will be included in next year's annual report:

1. Aggregated test result data for participating students, from the most recent year available
2. The retention rates for participating students enrolled in participating schools
3. The results of a parent satisfaction survey that shall be administered by the Department (survey to be fielded in March 2024)

Introduction (continued)

Education Freedom Account overview:

Education Freedom Accounts is a school choice initiative that empowers parents by providing funding for eligible students to attend participating private schools. For the 2023-2024 school year, this represents \$6,672 per Education Freedom Account (\$7,413 for 2022-2023 Succeed Scholarship recipients), which will be disbursed quarterly to participating schools and service providers on behalf of participating families. Payments are sent directly to participating schools and service providers through ClassWallet, a digital wallet and accounts payable platform.

For the 2023-2024 school year, eligible students must have been eligible to enroll in an Arkansas public elementary or secondary school, have a parent who is a current resident of the State, and meet one of the following criteria:

1. First time kindergarteners
2. Students coming from “F” schools or “Level 5” districts
3. Students who participated in the Succeed Scholarship Program for the 2022-2023 school year^{1,2}
4. Students with a disability identified under the Individuals with Disabilities Education Act
5. Students experiencing homelessness
6. Current or former foster care children
7. Children of active-duty military personnel

1. Per Ark. Code Ann. § 6-41-901, to qualify for the Succeed Scholarship Program, a student must have been enrolled in a public school district for at least the full school year immediately prior (or have a superintendent waiver) and (1) have a disability (as defined in the Individuals with Disabilities Education Act) or (2) have been a current or former foster care students or (3) have participated in the Succeed Scholarship program during the prior year and not turned twenty-one years of age or (4) Have been the child of a uniformed service member (if funds remain after all other eligible students received funding.
2. Former Succeed Scholarship students continue to receive the full foundation funding amount (which they received as part of the Succeed Scholarship Program)

Introduction (continued)

Office of School Choice and Parental Empowerment

The Department's Office of School Choice and Parental Empowerment, within the Division of Elementary and Secondary Education, has overseen the planning, implementation, and monitoring of Education Freedom Accounts while also overseeing the Department's efforts supporting Homeschool and Charter School families.

Underpinning the Office of School Choice and Parental Empowerment's core objectives is a powerful set of guiding principles:

- ▶ Empower parents to make the best school choice for their child
- ▶ Expand educational opportunity and access for Arkansas' families
- ▶ Support high quality school options
- ▶ Balance accountability with flexibility
- ▶ Ensure strong fiscal stewardship of public funds
- ▶ Use data to inform rule-making

With these guiding principles in mind, the Office of School Choice and Parental Empowerment is thrilled to announce a successful launch of Education Freedom Accounts, evidenced by the 4,795 (and counting) participants who have been empowered by EFAs. Strong family interest has been met with outstanding support from Arkansas' private schools; at the time of this report, 94 schools have registered to participate. Looking forward, the Office of School Choice and Parental Empowerment is poised to continue supporting Arkansas' families in identifying and attaining high-quality schooling for their children.

Student participation

Student participation overview

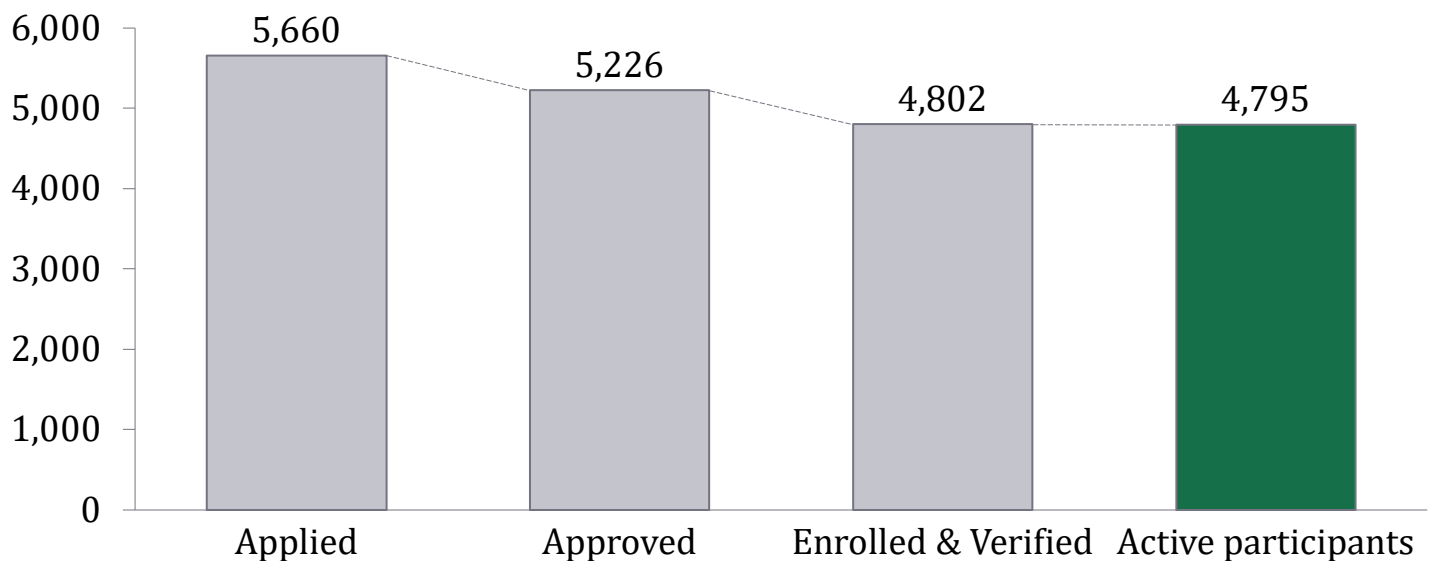
The program has received strong interest from Arkansas' families; to date, there are 4,795 active Education Freedom Accounts. This rate of participation comes in spite of a delayed start and then restart after interruption due to litigation; Education Freedom Accounts did not launch until June 19th, 2023. To date, Education Freedom Account participants display the following characteristics:

- 1. Family location:** The majority of Education Freedom Account participants reside in the two most populated regions of the state. Arkansas' Central and Northwest regions, representing 59% and 16% of participants, respectively.
- 2. Eligibility criteria:** Students with a disability identified under the Individuals with Disabilities Education Act represent the largest share of participating students, amounting to 44% of total participants. First-time kindergarteners likewise represent a sizable share of total participants, making up 31% of the participants' population. Of the prior year's 685 Succeed Scholarship Program participants, 628 are currently set to receive funds from an Education Freedom Account.
- 3. Prior private school enrollment status:** Most participating students – 95% - reported either being a first time kindergartener or enrolled in a private school upon submitting their application for Education Freedom Accounts.

The Department is excited to continue delivering on this historic initiative for the remaining school year and looks forward to further development next school year and beyond.

Student participation (continued)

Figure 1: Of ~5.7k total applicants, there are ~4.8k active EFA participants
EFA applications, approvals, enrollments, and active participants



Applied

- ▶ All completed and submitted EFA applications

Approved

- ▶ Applications that have been approved by the Department
- ▶ Of the 434 applications that were not approved:
 - 315 have been sent back to families for additional documentation or clarification
 - 70 applicants confirmed that they no longer intended to participate in EFAs this year
 - 49 applications did not meet the eligibility criteria and were not granted an EFA

Enrolled and verified

- ▶ Students completed the school enrollment verification process (confirmed by a participating school to be enrolled)
- ▶ 424 students have not indicated their enrollment at, and have it confirmed by, an EFA participating school

Active participants

- ▶ Students are on-boarded onto ClassWallet to receive EFA funds
- ▶ 7 students have had their accounts closed and funds returned as they are no longer attending their private school or participating in the EFA

Student participation (continued)

Figure 2a: The majority of participants are from the Central region

Participation, by Arkansas region

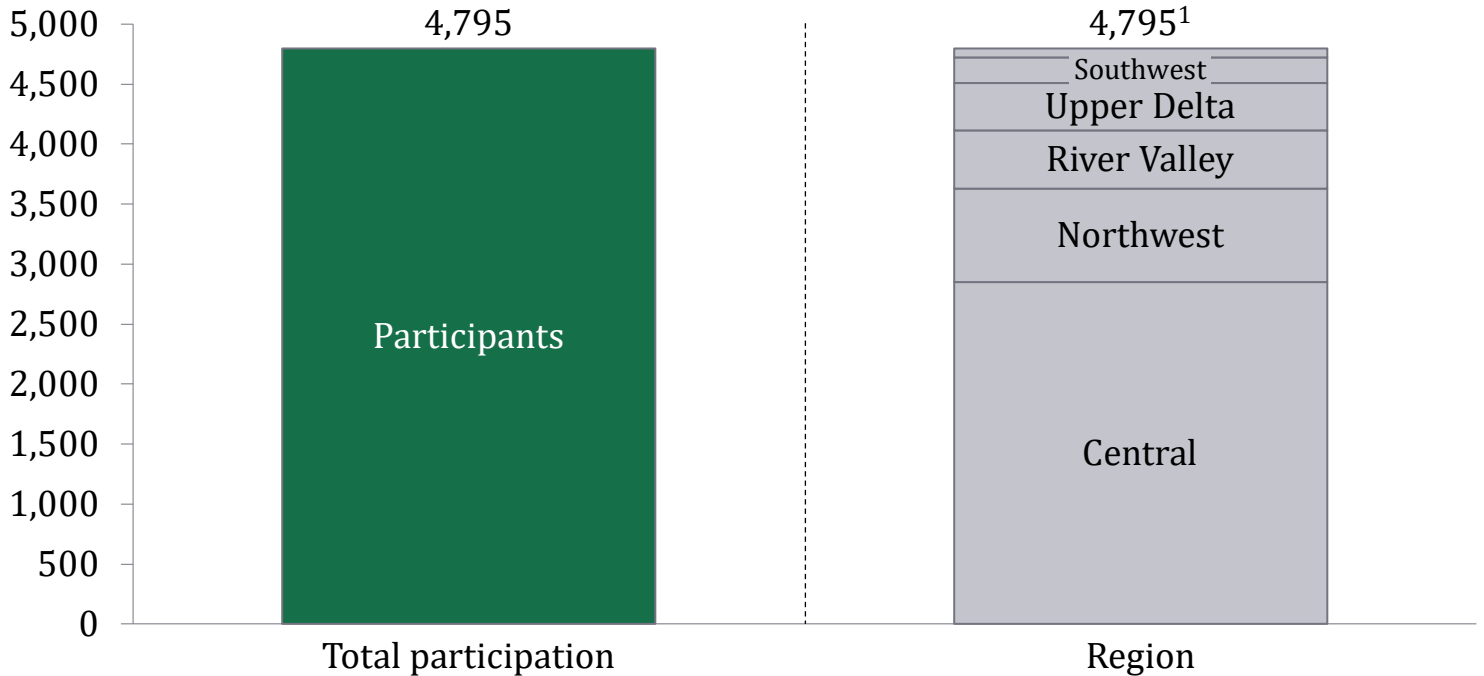
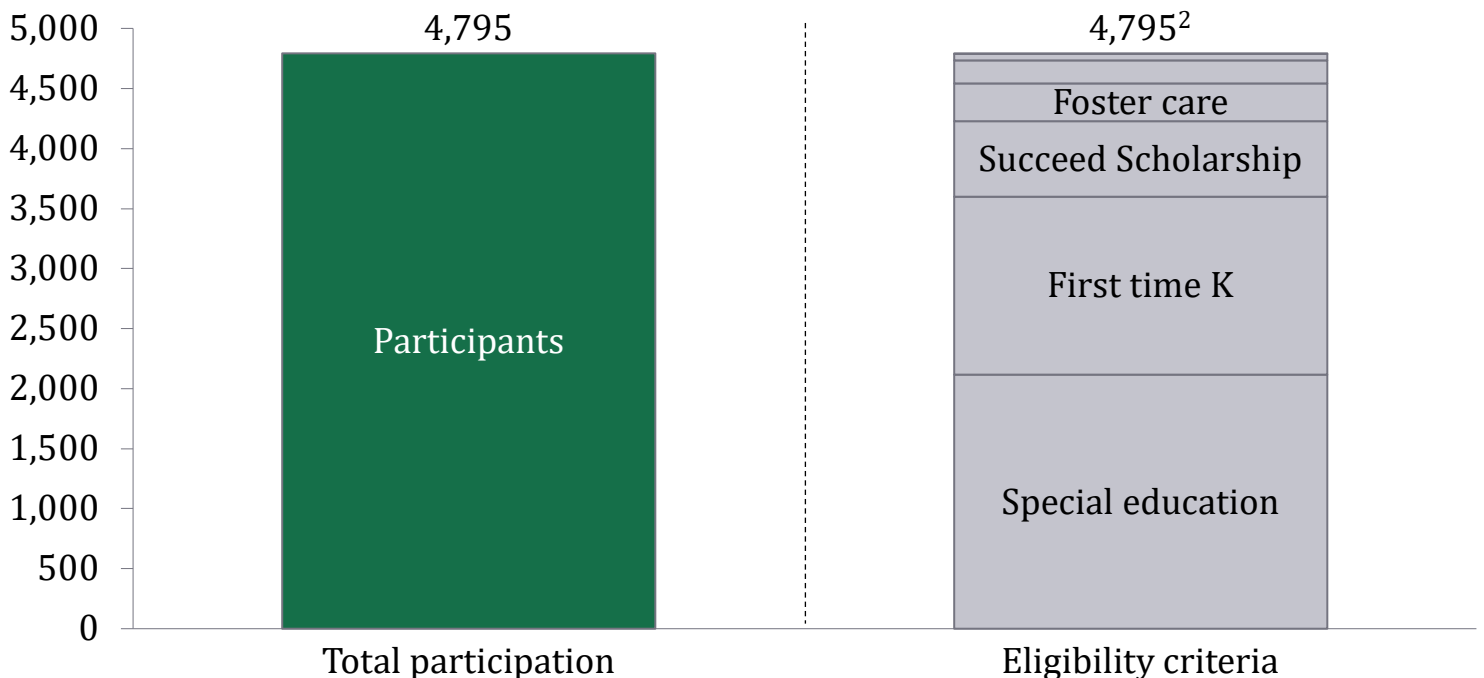


Figure 2b: Most participants have an eligible disability or are first-time kindergarteners

Participation, by Education Freedom Account eligibility criteria



1. Not labeled: Lower Delta (74)

2. Not labeled: Active-duty military (193); "F" School / "Level 5" district (55); Students experiencing homelessness (5)

Student participation (continued)

Figure 3: Participation aligns with areas of greater population density and current locations of private schools.

Map of Education Freedom Account Participation

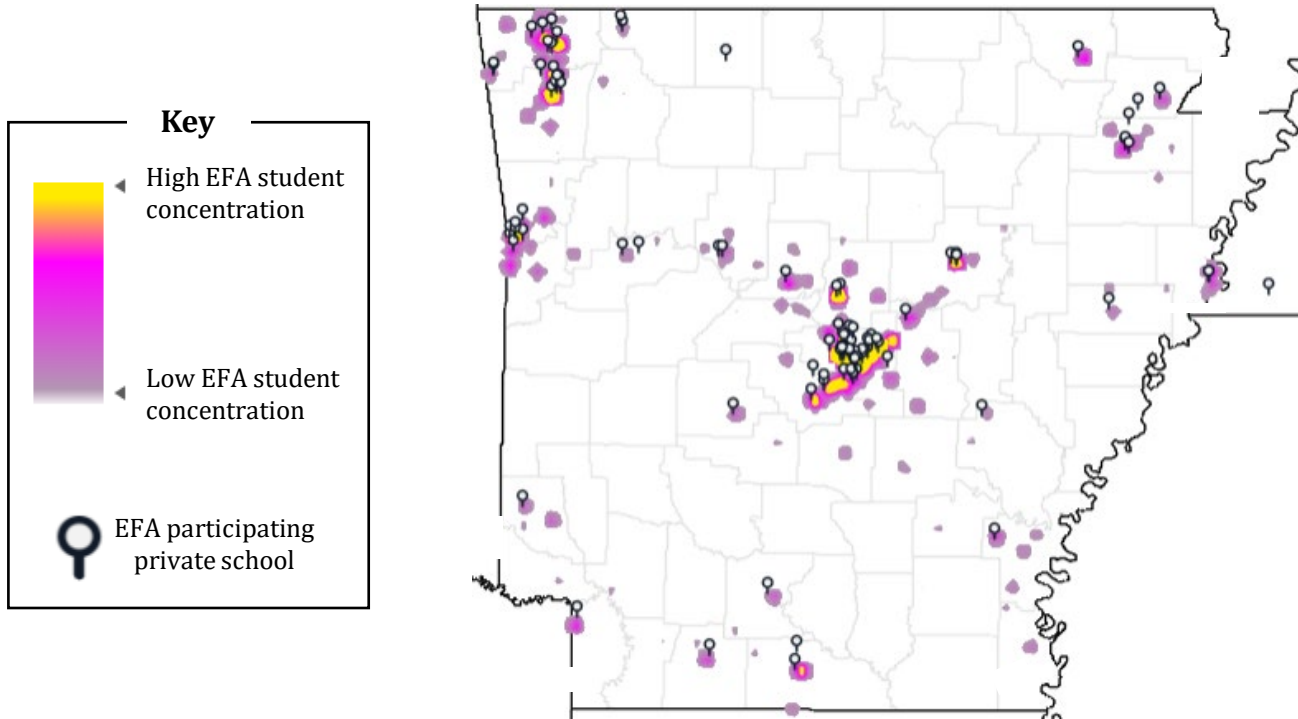
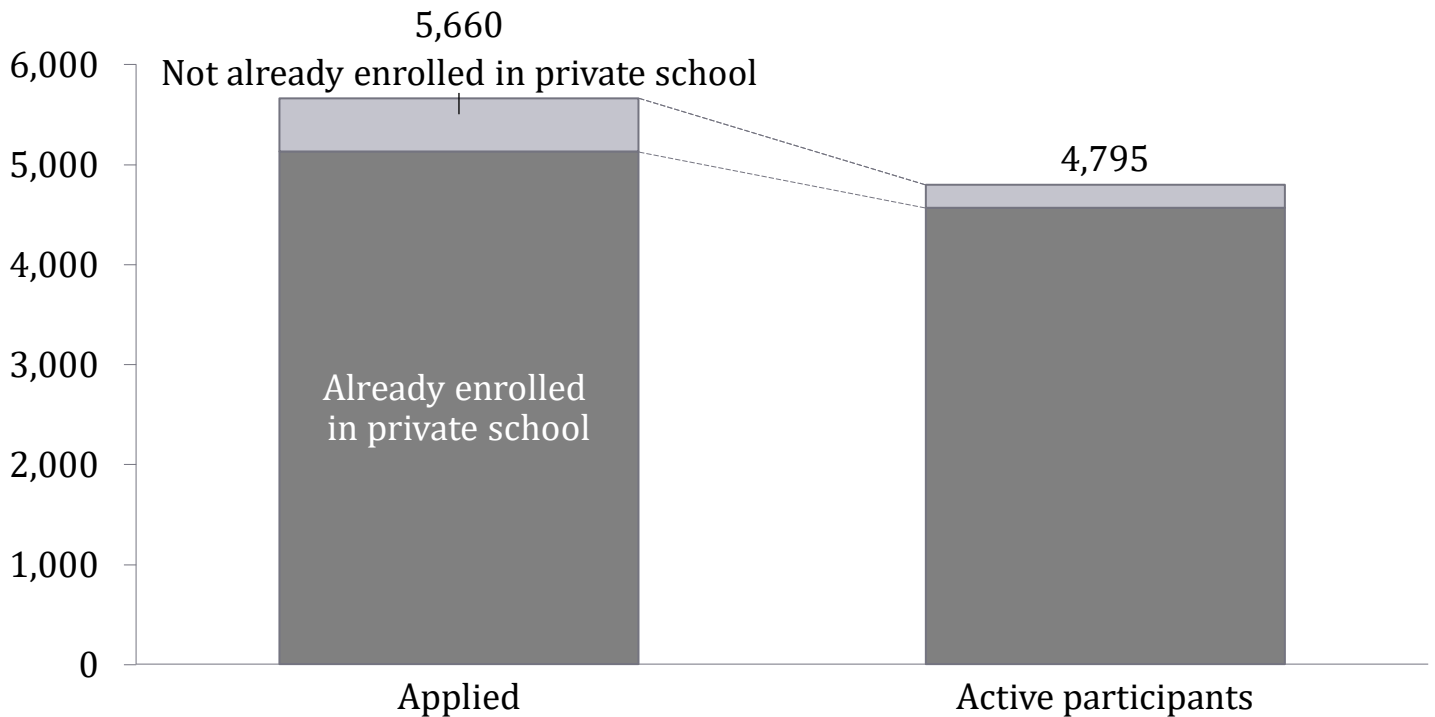


Figure 4: EFA portal opened June 19, 2023; majority of participants enrolled in a private school prior to applying

Participation, by previous private school status at time of EFA application



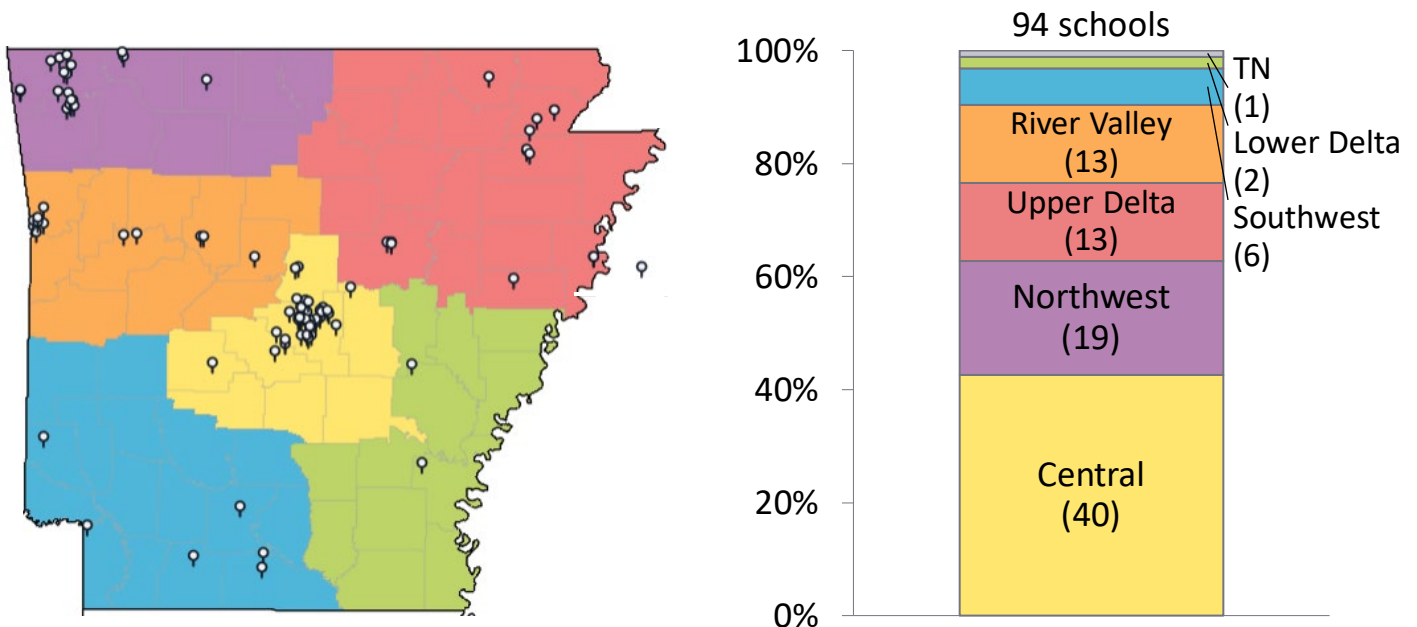
School participation

School participation overview

Arkansas' eligible private schools have likewise shown significant interest in Education Freedom Account participation; to date, there are 94 participating private schools representing an estimated 70%+ of the State's total private schools. Participating schools display the following characteristics:

1. **Student concentration:** Enrollment of participating students is concentrated within certain schools; ten schools enroll 38% of total EFA participants.
2. **School location:** Most participating schools are located within the Central and Northwest regions, representing 43% and 20% of total schools, respectively, which aligns to child population patterns in the state. In coming months, ADE will conduct a needs analysis to determine unmet demand in other parts of the state, including the Delta and Southwest.

Figure 5: Private school participation is concentrated in the Central region
Map of Education Freedom Account school participation



School participation (continued)

Table 1 (1/4): There are currently 94 private schools participating in EFAs

List of EFA participating private schools

School	EFA participants	Total enrollment	EFA % of total enrollment
Little Rock Christian Academy	324	1,665	19%
Central Arkansas Christian School	224	792	28%
Shiloh Christian School	209	1,480	14%
Pulaski Academy	190	1,218	16%
Episcopal Collegiate School	175	812	22%
Baptist Preparatory School	173	509	34%
Christ the King School (Little Rock)	172	594	29%
Calvary Academy	129	382	34%
Immaculate Conception Catholic School	119	323	37%
St. Joseph Catholic School (Fayetteville)	117	357	33%
Our Lady of Holy Souls	114	448	25%
Arkansas Christian Academy	110	321	34%
St. Joseph Catholic School (Conway)	106	446	24%
Compass Academy	102	121	84%
Harding Academy	97	628	15%
Abundant Life Christian Academy	95	329	29%
Access Academy	90	113	80%
St. Vincent De Paul Catholic	87	399	22%
Life Way Christian School	84	601	14%
Catholic High School For Boys	81	708	11%
The Anthony School	80	325	25%
West Side Christian School	80	203	39%
Union Christian Academy	73	284	26%
Providence Classical Christian	72	578	12%
Total	4,795	--	--

School participation (continued)

Table 1 (2/4): There are currently 94 private schools participating in EFAs

List of EFA participating private schools

School	EFA participants	Total enrollment	EFA % of total enrollment
Easterseals Arkansas – The Academy at Riverdale	71	73	97%
Immaculate Conception School	69	221	31%
Sacred Heart Catholic	69	230	30%
West Memphis Christian School	68	243	28%
Southwest Christian Academy	67	176	38%
Cornerstone Christian Academy	64	150	43%
Mount St. Mary Academy	59	477	12%
First Lutheran School	55	105	52%
The Lighthouse Homeschool Cooperative	55	61	90%
Christ the King School (Fort Smith)	50	181	28%
Christ Lutheran	49	124	40%
North Little Rock Catholic Academy	42	160	26%
Legacy Academy	40	138	29%
Fayetteville Christian School	37	136	27%
Friendship Lab School for Dyslexia	36	36	100%
St. Theresa Catholic School	36	184	20%
Trinity Christian School	36	179	20%
Columbia Christian School	34	216	16%
St. Paul Catholic School	34	105	32%
First Academy	33	217	15%
Trinity Catholic Junior High School	32	211	15%
North River Christian Academy	30	55	55%
Harvest Time Christian Academy	28	100	28%
Joshua Academy	26	38	68%
Total	4,795		--

School participation (continued)

Table 1 (3/4): There are currently 94 private schools participating in EFAs

List of EFA participating private schools

School	EFA participants	Total enrollment	EFA % of total enrollment
Blessed Sacrament Catholic School	25	137	18%
Immaculate Heart of Mary School	25	101	25%
New Life Christian Academy	25	189	13%
Bentonville Christian Academy	24	81	30%
The Academy of The Learning Center	23	24	96%
Our Lady of Fatima Catholic School	22	78	28%
Prism Education Center	22	165	13%
Anthem Classical Academy	21	78	27%
Central Arkansas Montessori	21	39	54%
Arrows Academy	20	30	67%
St. John's Catholic School (Russellville)	19	63	30%
The Huda Academy	18	202	9%
CrossPointe Preparatory School	17	115	15%
Avilla Christian Academy	16	25	64%
Eighty-Twenty Learning for ASD	16	23	70%
Ft. Smith Montessori	16	78	21%
St. John's Catholic School (Hot Springs)	16	119	13%
Calvary Christian School	15	54	28%
Ozark Catholic Academy	15	116	13%
The Grace School	15	21	71%
Valley Christian Academy	15	124	12%
Agape Academy	14	18	78%
Victory Christian School	14	78	18%
St. Joseph Catholic School (Paris)	12	46	26%
Total	4,795		--

School participation (continued)

Table 1 (4/4): There are currently 94 private schools participating in EFAs

List of EFA participating private schools

School	EFA participants	Total enrollment	EFA % of total enrollment
Subiaco Academy	11	147	7%
Fayetteville Nature School	10	32	31%
Leap Frog Montessori	10	21	48%
Liberty Christian School	10	55	18%
Maranatha Baptist Christian	10	47	21%
Pinnacle Classical Academy	10	60	17%
Clover Community School	9	13	69%
Holy Rosary Catholic School	9	53	17%
Shiloh Excel Christian School	9	10	90%
Sherwood Christian Academy	8	12	67%
Academy of Excellence	7	36	19%
Cabot Christian School	5	12	42%
Clear Spring School	5	61	8%
St. Michael's Catholic School	5	38	13%
Cornerstone Montessori Christian Academy	4	5	80%
Community Christian School	2	26	8%
Cedar Heights Christian Academy	1	18	6%
Madonna Learning Center	1	97	1%
The Decker School	0	50	0%
Baseline Bilingual	0	50	0%
Crestline Academy	0	<i>Not reported</i>	-
St. Mary Catholic School	0	<i>Not reported</i>	-
Total	4,795	--	--

Service provider participation

Service provider participation overview

In the inaugural year of Education Freedom Accounts, eligible expenses are limited to tuition, fees, testing, uniforms, and other required school expenses such as supplies. Beginning in the 2024-2025 school year, eligible expense types are expanded, which will increase the number of service providers to include those offering a larger array of educational goods and services. This year, participating service providers (outside of participating private schools) include:

Table 2: Uniforms are the primary service provider offering this year

List of EFA participating service providers, by category and funds received

Service provider	Expense type	Funds received	Percent of total
Especially For You Designs	Uniforms	\$8,847	72%
Staples	General / supplies	\$3,509	28%
Khakis	Uniforms	\$0	0%
The Toggery	Uniforms	\$0	0%
Total	--	\$12,356	100%

Fiscal impact

Fiscal impact overview

In this section, we consider three questions concerning the fiscal impact of 2023-2024 school year Education Freedom Accounts:

1. What is the total cost of the program to the state of Arkansas?
2. How are program funds spent?
3. What is the impact on the Arkansas education budget by student type?

Fiscal impact analysis

Program cost:

To date, ~\$7.1m of the funding currently available to families of the EFA program has been spent. By the end of the first year, at least ~\$32.5m will be disbursed on a quarterly cadence. Please note that fund disbursements may increase as more applications are approved.

Fund use:

97.3% of the \$7.1m funds used have been put towards tuition and Department-approved fees (e.g., enrollment fees, supplies fees, etc.) at participating private schools, while 2.5% of funds have been spent on transaction processing fees. Among non-tuition / fee categories, uniforms are the most common family expense.

Budget impact:

For the 2023-2024 school year, the value of each participating student's Education Freedom Account who was enrolled in private or public school during the prior year is fully-funded by the State and represents net new State expenditures of \$6,672 per student. Students entering the EFA program from an Arkansas public charter school represent approximately a net-zero impact on the general fund.

Fiscal impact (continued)

Budget impact (continued):

Districts support a portion of Arkansas' per-pupil foundation funding amount through the state's 25 mill uniform property tax, AR Const Art 14 § 3. The State subsequently funds the difference between each district's property tax contribution and the full per-pupil foundation funding amount, which in 2022-2023 is \$7,413. The share of the per-pupil foundation funding amount covered by the State thus varies dramatically by district; for example, some districts entirely cover the per-pupil foundation funding amount through the 25 mill uniform property tax and do not require additional State funds. When a student leaves an Arkansas public district in favor of a private school, the district will not receive the State-funded portion of the per-pupil foundation funding amount (but will keep local property tax funds, which will now be distributed over a smaller base of students). However, because funding amounts are set based on prior year enrollment counts, the earliest the impact could be felt if a student left their public district for the 2023-2024 school year is in the 2024-2025 school year. Even in that year, the state may support the district through Declining Enrollment Funding or other programs, and thus the full fiscal impact of the enrollment decline is not felt until 2025-2026.

Fiscal impact (continued)

Figure 6: Existing private school or homeschool students would not have been counted by any public school for funding so additional revenue is needed to fund these EFAs. The number of students who switched from public school to private school for the purposes of joining the EFA program is estimated to represent a relatively low share of total program enrollment – 5%. Any fiscal impact on public school districts are also delayed due to the district funding formula, which uses the prior year’s average daily membership (“ADM”), and thus will not capture EFA-related public school departures.

Estimated per-student cost to state, by type of student switching to EFA in 2023-2024

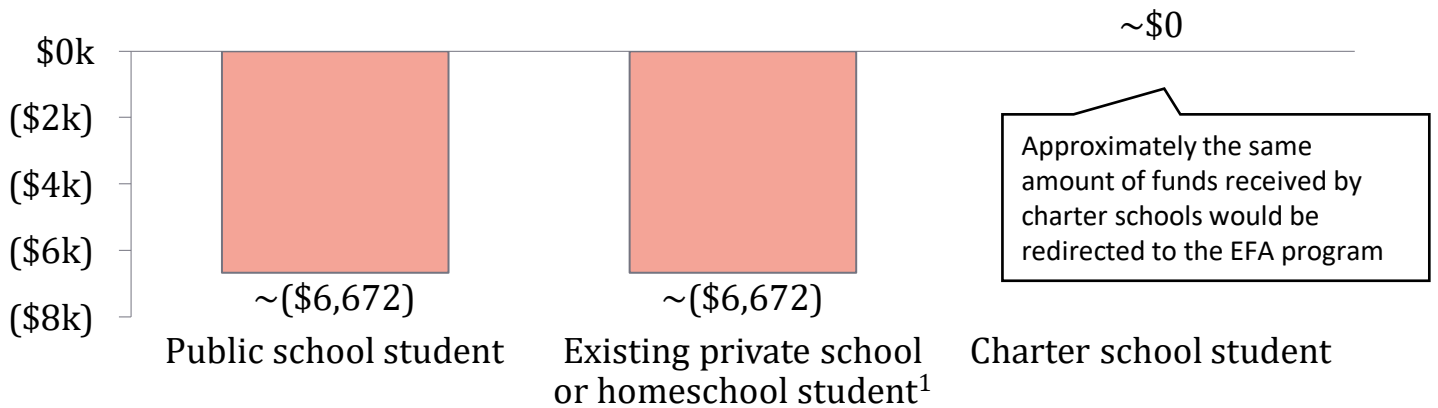


Table 3: Most funds have been used towards tuition and Department-approved fees

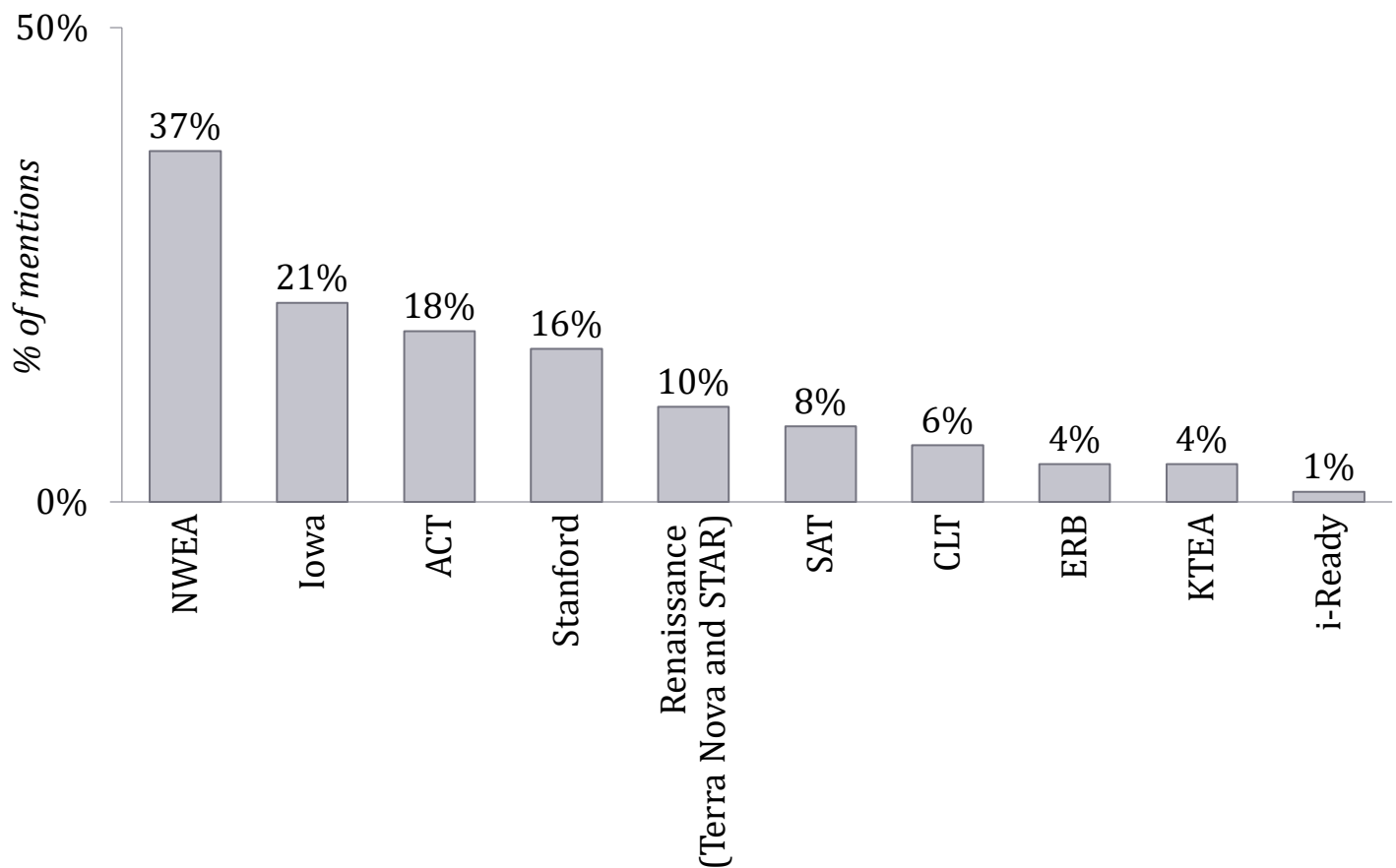
EFA funding detail	Expense category	Funds
Totals (2023-2024)	Total funds allocated	\$46,701,900
	Estimated 2023-2024 disbursements	~\$32,500,000 (~70%)
Realized family disbursements	Q1 funds spent	\$7,077,597
	Tuition / fees	\$6,888,388
	Uniforms	\$8,847
	Required academic expenses	\$3,509
	Processing fees (retained by ClassWallet)	~\$176,853

1. Former Succeed Scholarship Program participants receive / will cost \$7,413

Appendix

Figure 7: Although test result data will not be available until the end of the 2023-2024 school year, schools were required to report which norm-referenced test they plan to administer to their students as part of their application for EFAs. Commonly administered tests include NWEA, Iowa, and ACT exams.

Participating school test administration, % of mentions



The Department is currently in the process of designing and implementing a new state assessment for the 23-24 school year. Staff is currently exploring the possibility of offering the new assessment to private schools who are interested in participating.