

**Education Savings Accounts (ESAs) Program in Arizona is a hotbed of fraud. This should be a warning to Ohio taxpayers.**

The Education Savings Accounts (ESAs) Program is a voucher scheme that distributes tax money to parents to purchase education materials and programs for their school-age children.

How would such a universal program of this nature work in Ohio? The parents of about 1.6 million school-age children would receive a legislated amount of money for each school-age child. There are roughly 1.2 million families with children in Ohio. Therefore, the state would be tasked with monitoring the education expenditures of over one million families. (School districts are subject to intense state audits.) To audit one million families would require a state staff of hundreds of thousands; or the state could “trust” parents and not audit any of the tax money provided to parents.

Arizona publishes a list of allowable purchases; Problem is that parents often stray from the list.

[12News](#) in Arizona [investigated](#) the expenditures and found 20% were not allowable. A sample of unallowable expenditures were:

- Diamond rings
- Smart TVs
- Appliances
- Luxury clothing
- Lingerie

In one year, the investigation turned up 84,000 expenditures unallowable.

If school district officials in Ohio made 84,000 unallowable purchases, the Ohio prison population would skyrocket.

**[Voucher supporters say Empowerment Scholarship fraud is 1%. New records peg misspending closer to 20%.](#)**

12News obtained Education Department records showing that one in five ESA purchases—such as cellphones, TVs, and diamond rings—were on the “unallowable” list.

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PHOENIX — Arizona Republican leaders, including state Schools Chief Tom Horne, have long insisted fraud in Arizona’s Empowerment Scholarship Account program is minimal.

“One percent or less,” Horne often has said.

But 12News has obtained new public records -- from Horne's Department of Education -- that tell a very different story.

Documents uncovered by 12News Investigates show unallowable purchases — spending explicitly banned under ESA program rules — may account for about 20 percent of transactions.

That's one in five.

**Luxury Spending With Education Dollars**

Last summer, [12News Investigates revealed parents used ESA funds for items with little connection to education, including:](#)

- Diamond rings
- Smart TVs
- Gift cards
- Appliances
- Luxury clothing
- Lingerie

All are listed among [more than 100 prohibited purchases in the ESA Parent Handbook](#). Accounts making such purchases are supposed to face suspension or termination.

Yet the spending continues as Horne contends his department uses risk-based auditing that will eventually catch wrongdoing.

### **New Records: 84,000 Purchases Flagged**

A newly obtained Department of Education memo covering ESA spending from December 2024 through last September found that of 385,000 ESA purchases the department reviewed, nearly 84,000 were deemed unallowable.

That's just more than 20 percent of all transactions that should have been banned.

One major spending category — “Marketplace” — showed nearly the same rate: almost one in five purchases flagged for improper purchases.

Doug Nick, ADE spokesman, told 12News the agency is cracking down on fraud.

"The department has a technology-based counter-fraud tool to augment the work of ensuring purchase requests are allowable, Arizona residency is now verified, and risk-based auditing is ensuring accountability and efficient customer service," Nick said.

### **ADE: Approximately \$1.2 million recovered**

He added that the department has taken action to recover approximately \$1.2 million in unallowable expenses through collections, repayments, or referrals to legal authorities.

The ESA program serves more than 100,000 students and is projected to cost the state budget \$1 billion this fiscal year.

The records do not yet list the specific items that were improperly purchased. 12News has requested those documents.

The station is also still pursuing a lawsuit for full ESA spending records, with additional disclosures expected soon.

While the number of unallowable purchases has boomed, many parents have told 12News that most ESA account holders are properly using tax dollars. 12News has highlighted how the program has produced [micro schools](#), helped [homeschool families](#) and [children with disabilities](#).

### **Oversight Breakdown and Growing Pressure**

The increase in unallowable purchases began after Horne directed staff in late 2024 to approve all ESA purchases under \$2,000 due to a backlog.

Attorney General Kris Mayes [pushed him to end the policy](#).

He refused, prompting her office [to expand its investigation](#).

In a recent letter obtained by 12News, Mayes' office challenged Horne's stance:

"You appear to contend that payment of public funds for unallowable purposes is not illegal... Respectfully, that does not make sense."

Mayes says taxpayers deserve transparency on whether public money is being spent on inappropriate items.

The letter from her deputy chief counsel goes on to say: "By publicly announcing that ADE would automatically process all transactions under \$2,000, ADE and Superintendent Horne have given a road map of how to game the system."

### **AG credits 12News investigation**

Mayes also applauded 12News for its investigations into ESAs.

"I'm super proud of your outlet for staying on the case," Mayes said. "At a minimum, people have the right to know whether and how that money, whether that money is being spent on diamond rings, flat-screen TVs, lingerie, and how much of it is being spent on those inappropriate items."

### **Horne's spokesman: Honest mistake, not fraud**

Horne's office said many flagged purchases may be honest mistakes -- not fraud. And, the memo does not correlate a fraud rate.

[Jennifer Jennings, a Princeton University professor who studies school choice, agreed.](#)

However, she added: "Certainly there's a higher rate than what's been shared in the past....It speaks to the need to release the dollar amounts. It's difficult to understand how this level of purchases has, you know, been allowed to go through."

Jennings also reviewed ESA purchases from last summer, after 12News posted them on its website.

"I've been very much blown away.... It's very challenging to understand the educational purposes of some of these items."