

yes. every kid. foundation.



ESA Implementation Roadmap

Executive Summary

Thirteen states have enacted 15 Education Savings Account (ESA) programs, with most signed into law in just the past three years. This pace makes it evident that families desire alternative education options and the freedom to exercise those options, and demand is only growing. Many lawmakers have already responded by committing to champion ESA legislation in their states this coming year. As a result, we anticipate the need for resources because while the concept of educational freedom is straightforward, the implementation of the programs that make it a reality is quite complex.

This ESA Implementation Roadmap is a first-of-its-kind resource crafted to whittle away at the complexities and provide a clear and complete blueprint for the successful design, launch, and management of an ESA program. The resource goes beyond general information and context on implementation to include curated checklists, illustrative diagrams, and practical examples that guide and inform administrators through the entire process.

This toolkit is primarily intended for program administrators and policymakers on the front lines of designing, building, and administering new and existing ESA programs. Whether a stakeholder wants to pass a new program or improve the efficiency, effectiveness, and impact of an existing program, this roadmap breaks down the key components of ESA programs into actionable steps.

We acknowledge and encourage the uniqueness of each ESA program. As such, we hope this roadmap not only equips stakeholders with the necessary tools, but also inspires innovation that holds true to our vision by ensuring that every program intended to give families freedom in education is easy to sign up for, is easy to use, and meets the felt needs and desires of families.

About yes. every kid. foundation.

We are devoted to unlocking the extraordinary potential of every kid.
We promote education that empowers families, helps implement
bottom-up solutions, and advances education freedoms.

Roadmap Legend

This ESA Implementation Roadmap is a guide to the successful launch and management of an ESA program. As with any roadmap, a legend is a key feature. This legend denotes steps that further break down the content so the user can more easily navigate the implementation process.



Plan

- ← The plan icon indicates the first step: to understand the resources required to align the program's administration with the prescription and intent of the law.



Design

- ← The design icon indicates approaches to managing the corresponding component of the ESA program, whether the state runs the program itself, outsources it to a vendor, or a combination of both.



Build

- ← The build icon indicates step-by-step direction in building the corresponding component of the ESA program. This guidance is based on the principles that every program be easy to sign up for, be easy to use, and meet the felt needs and desires of families.



Execute

- ← The execute icon indicates the live aspects of the corresponding component, meaning processes involving interacting with and responding to families and education providers. Execution will reveal shortcomings in the plan, design, and building of the program, so be ready to respond accordingly.



Support

- ← The support icon indicates suggestions to build in continuous improvement processes and engage stakeholders early and often in collecting feedback to address issues.



Practical Example

- ← The case study icon indicates highlights of best practices and examples. The intent is to not only provide greater context on a specific program or topic but also offer a repository of experts and tools that users can leverage for their own efforts.



Chapter 1:

Student Applications

Introduction

This chapter conveys general strategies and best practices to facilitate a smooth application experience for families. The chapter is written so a program administrator can follow it to the letter or use it in setting forth guidelines for a third-party vendor to adhere to.



Plan

Application processes for families participating in an ESA program differ across states, shaped by the specific statute that governs each program. Prior to application development, conduct a review of the statutory language that governs the program from an implementation perspective with a goal to understand the following:

- Resources available for administration of the program either through direct appropriation or reallocation.
- Student eligibility criteria (see the section: Understanding Eligibility Criteria) and relevant prioritization.
- All requisites pertinent to the application process, like processing timeframes and appeals.
- The cost-benefit analysis of in-house administration versus outsourcing.



Design

While some states directly manage the development and processing of applications, others may outsource the task to a vendor. Depending on statutory requirements, there may be various approaches to consider when implementing the student applications. For example:

- States can have a scholarship program that families can apply to through the administering state agency.
- States can have a scholarship program that families can apply to through one or more third-party vendors.
- States can have multiple scholarship programs that families can apply to through the administering agency or various vendors.

Creating the Application

Purpose

This section is intended to help ensure applications are both accessible to families and easy for them to use. The creation of the application is broken down into four separate checklists: accessing the application, pre-application, application, and post-application.



Build

Accessing the Application

It is important to first consider how and where families (“applicants” or “users”) will access the application. This roadmap is relevant to online applications, but paper application requests should be considered as needed. The application, whether provided through a website or online portal, should:

- ☐ Be tested for compatibility on a variety of devices, browser versions, operating systems, and in a variety of network environments.
- ☐ Be designed to incorporate robust data security measures, including encryption, access controls, backups, and adherence to data protection regulations.
- ☐ Be centralized to allow users to submit information, upload documentation, and provide electronic consent and signature all in one place.
- ☐ Allow users to create an account via login credentials with functionality to easily retrieve and/or reset a password.
- ☐ Include an authentication tool for secure sign-in.
- ☐ Allow users to manage one or multiple applications within a single account.
- ☐ Appear in languages other than English.
- ☐ Be accessible (e.g., screen reader-friendly, alternative text for images).

Pre-application

Information should be provided to users prior to starting an application. This will be helpful in paving a clear pathway to success by informing stakeholders of programmatic requirements, increasing inclusivity, and reducing future customer support requests. As such, the pre-application should consist of:

- ☐ A quick eligibility pre-assessment to confirm qualification for the ESA program.
- ☐ A subscription email or text messaging service for application updates.
- ☐ The estimated or average time that it takes to complete the application.
- ☐ The documentation required to complete the application and the desired format for upload.
- ☐ Timeframe for notification of approval or denial of an application.
- ☐ A link to helpful application resources, such as a tutorial video instructing families how to complete the application, an FAQ page about the program and how to use the award, and a customer service page routing families to further assistance.

Application

The application process should be simple and quick. To accomplish this, the application should:

- ☐ Use simple language, and avoid acronyms or terminology unknown to families.
- ☐ Group related fields together.
- ☐ Clearly indicate which fields are required.
- ☐ Set the answer format to avoid grammatical or accidental typing errors (e.g., require the date format “MM/DD/YYYY” as opposed to allowing the user to type in the date, which could result in “Jamuart 33, 2041”).
- ☐ Use skip logic and autofill features, especially for renewal applications.
- ☐ Avoid reset and clear buttons.
- ☐ Make error messages prominent and visible.

Application (cont'd)

- ☐ Tag each field with an information icon, also known as a graphical user interface element, that allows a user to hover over the icon for further instruction or examples.
- ☐ Avoid requesting information that can be sourced from the state education agency or school district through existing student information systems.
- ☐ Allow for attestation, request only the documentation required to determine eligibility, and avoid requesting documentation that can be sourced from other state agencies through existing database systems (e.g., proof of identity and residency verification from the state's Department of Revenue, Department of Transportation, or from another state agency).
- ☐ Allow users to view, delete, and re-upload required documentation.
- ☐ Allow users to pause and save the application and then resume where they left off.
- ☐ Signal the step in the application process that users are in, and preview the remaining steps.
- ☐ Allow electronic signature.
- ☐ Clearly present electronic informed consent forms and compliance statements.
- ☐ Allow users to download/print a submission receipt and generate an email to the applicant.
- ☐ Inform users, on the submission page, about the application notification timeframe (e.g., "You will be notified about the status of your application within one hour").

Post-application

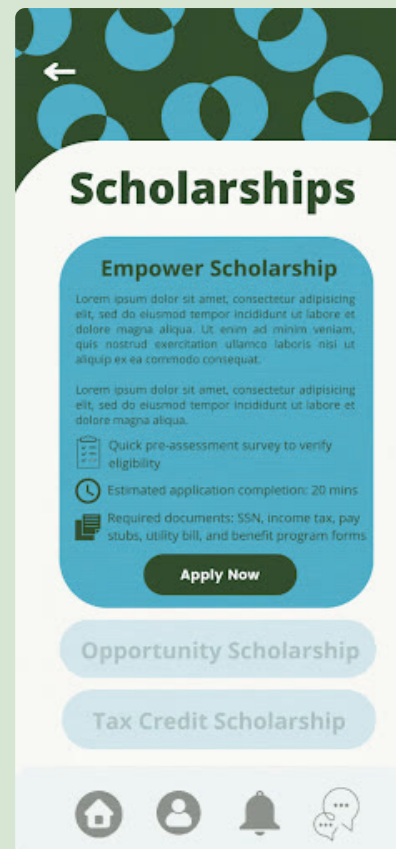
Once families complete the application, post-application should include the following features and information:

- ☐ Visually display the stage of application as a status (i.e., under review, pending required action by applicant, approved, or denied).
- ☐ Provide application statistics (e.g., time it took to complete the application, application notification timeframe, customer service contact information).
- ☐ Auto-generate acceptance, update, or denial notifications via portal, email, and SMS notifications.

Post-Application (cont'd)

- ☐ Enable secure messaging to communicate with users via the application portal. This will streamline communication and workflow when follow-up is needed. A secure messaging system can reduce the need for face-to-face visits, separate emails, and phone calls by giving families and staff a quick, convenient way to exchange information about the application, account, and award.
- ☐ Upon sending application approval, provide information about accepting the scholarship and navigating the program (e.g., ESA handbook, contacts, tutorials, physical office address).
- ☐ Upon sending application rejection, provide detailed explanation about the reason and include information about appeal rights and procedures for resubmission. If the statute does not outline appeal rights, administration should promulgate due process rights in a rule for swift adoption.

Portal & Application Visual



Reviewing Applications

Purpose

This section provides a framework for reviewing applications. The below checklists map out a streamlined application review process and detail how to manage the review team.



Execute

Eligibility Verification

Some ESA programs are universal, while others have specific eligibility criteria. At a minimum, applicants are required to prove age and residency. As such, the verification of age and residency for eligibility will be the first step in reviewing applications. Prior to beginning the review process, conduct an initial review of the statutory language, specifically from an eligibility criteria perspective, with a goal of understanding the following:

- The documentation needed for proof of residency if the program is universal.
- Whether residency information will be validated automatically or manually (see the sections: Identity & Eligibility Verification Automation & Identity & Eligibility Verification Automation Case Study).
- The documentation needed for proof of each criterion (e.g., IEP, means tested, foster care, birth certificate, active-duty orders).

Streamlining the Review Process

To expedite application review and swiftly notify families, the process should integrate these key elements:

- ☐ Establish a team for application review, with team size commensurate with:
 - Automation integration
 - The number of anticipated applications based on targeted or universal program type
 - The budget
- ☐ A timeline for the application review process, with specific target timeframes for closing issue resolutions and escalations (i.e., internal hierarchy of review process).
- ☐ Backend application processing software that facilitates manual and technological review (e.g., features to assign tasks to reviewers, manage deadlines, etc.).
- ☐ Communication templates on frequent issues that staff can utilize to communicate with families on issue resolution.
- ☐ A communication management tool to ensure issue resolution notes taken by phone, email, or secure messaging are captured in a central location and in an organized manner.
- ☐ Quality assurance measures that provide for accuracy and efficiency of the review process.

Team Management Practices

The team of staff dedicated to the application review process must be equipped with the necessary skills and knowledge. To accomplish this, integrate these team management practices:

- ☐ Execute a training program to ensure staff understand the process and can collaborate, communicate, and work well together.
- ☐ Ensure staff understand eligibility requirements, the features and functionality of the application, customer service protocols, how to collaborate with necessary stakeholders, procedures for second-level review, and denial appeal processes.
- ☐ Define roles and designate team leaders to coordinate efforts.
- ☐ Continuously identify potential risks and challenges associated with the application review process, and consider how the team composition can mitigate them.
- ☐ Assess employee workload to ensure satisfactory customer service to all families.
- ☐ Empower staff to identify root causes and suggest solutions.
- ☐ Regularly conduct, track, and report performance audits.



Support

Incorporate methods for continuous improvement of the application process to make the applications simpler and reduce completion, review, and approval times. Below are a few recommendations to achieve this:

- Use the checklists in this chapter to conduct a self-evaluation of the entire process. Determine whether items that went unchecked are necessary, and prioritize how to address them.
- Allow and encourage families and team members to provide feedback regarding the application process. Capture the feedback in a central location, and prioritize how to address it.
- Engage on-the-ground partners and advocates of the program because families may approach them first to seek guidance and assistance with the application process. Treat these stakeholders as an extension of your team. Solicit their feedback via planning and testing of beta versions of the application. Capture the feedback in a central location, and prioritize how to address it.
- Collect and analyze the information below. Analyzing these metrics in the context of the application and review process can reveal bottlenecks and focus attention on critical pain points:
 - Data from the eligibility pre-assessment survey
 - Number of applications received and processed each day
 - Average application completion time
 - Percent of applications abandoned, approved, closed, or denied
 - Average length of time to notify families of application status

Understanding Eligibility Criteria

Purpose

This section provides an overview of eligibility criteria for ESA programs. It details the importance of setting criteria and the advantages and challenges of certain criteria, suggests methods for verifying eligibility, and emphasizes the role of these criteria in ensuring compliance, resource optimization, and equity.

Importance of Eligibility Criteria

Eligibility criteria are crucial in defining the size and scope of an ESA program, acting as the primary gateway for participation. When initiating an ESA program, one of the initial steps is to establish these criteria. They outline the necessary characteristics all participants must have, offering a uniform standard to assess a diverse population for program entry. This careful determination of eligibility is essential for the program's effectiveness and reach.

Defining eligibility criteria enables policymakers to:

01

Demonstrate compliance with constitutional provisions, court rulings, state education laws, and other regulations.

02

Ensure alignment between ESA programs and educational policy goals (e.g. promoting choice, supporting special needs populations).

03

Optimize the use of limited resources by establishing the intended beneficiaries.

04

Improve financial management by calculating costs and anticipated benefits based on accurate estimations of program beneficiaries.

05

Maintain program integrity by preventing ineligible individuals from accessing funds.

06

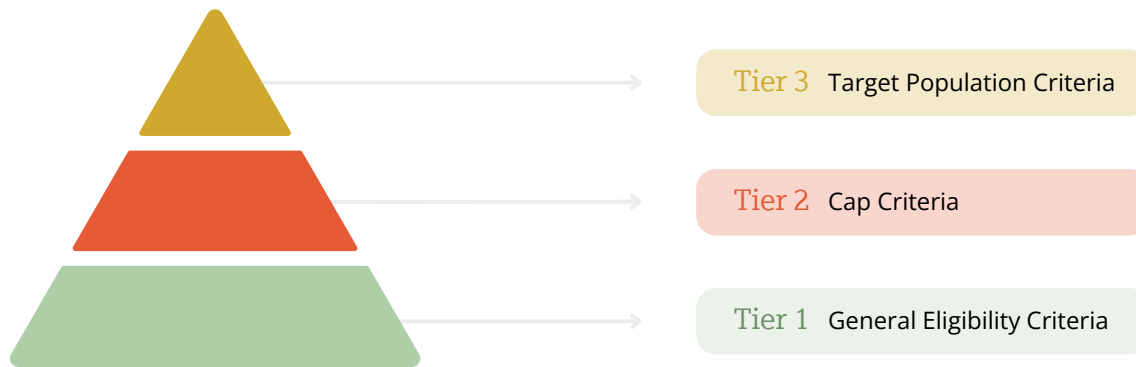
Facilitate program evaluations by ensuring program impacts are assessed based on outcomes for the targeted beneficiaries.

07

Streamline processes and procedures for administering ESA programs by standardizing the application review elements.

Types of Eligibility Criteria

To understand eligibility, envision it as a range from broad to specific levels. Policymakers and lawmakers have the flexibility to create numerous eligibility criteria for programs, each with significant effects. The more criteria that are added, the more factors like the rate of participation, the efficiency of administration, and the required budget are adversely affected.



Tier 1

General Eligibility is the most broad and inclusive, focusing on basic criteria like age, residency, and current school enrollment. The simplicity of these criteria, such as requiring a birth certificate or proof of residency, is geared toward creating open programs that are universally accessible or accessible to a wide range of students.

Tier 2

Cap Criteria introduces more nuanced requirements focused on limiting the number of students to manage the allocation of resources. This tier includes priorities like application dates or specific enrollment conditions. Often, this is paired with a cap escalator, which allows for the gradual inclusion of target populations, potentially moving towards universal access.

Tier 3

Target Population Criteria is the most specific and greatly compounds complexity. It focuses on groups with particular needs, such as low-income families, students with special needs, children of military personnel, and those with specific academic requirements. Due to the variability of the required documentation in this tier, ranging from means testing to medical records, it is likely a parent may have to submit upward of half a dozen personal documents that are not captured by state systems (depending on the eligibility criteria). Furthermore, validating the documentation at the state level will slow and stall service to the families.

Examples of Common Eligibility Criteria

Tier 1

Student Age or Grade Level

Eligibility criteria based on students being school age.

Residency or Geographic Area

Requirement that students live in the state or a more specific geographic location within that state.

Enrollment Status

Eligibility dependent on whether a student is currently enrolled in a public or private school (e.g., attended at least 100 days of public school the prior year).

Tier 2

First In/Front of the Line

Criteria that takes a target population and gives it priority when applying.

Fund Cap

Cap allowing states to set the funding or appropriation level at a fixed amount serving a limited number of students.

First Come, First Served

Cap allowing the state to set the program participation at a predetermined student count.

Tier 3

Means Testing

Criteria that consider a family's financial situation, often prioritizing those with lower incomes.

Special Needs

Eligibility focused on students with disabilities, in foster care, from military families, or facing other unique challenges.

Academic Performance/ Previous Environment

Criteria based on a student's previous academic environment or academic achievements, often targeting those who are not meeting minimum standards or who are attending schools labeled persistently failing.

Required Documentation & Automation Complexity

The narrower the eligibility criteria, the more complex the application and review process becomes. The table below provides examples of the documentation required during the application process by eligibility tier. Additional qualification requirements usually place a greater burden on families to access and upload documentation, lengthening the application completion process, and demand thousands of additional hours of labor during the application processing period. The table rates the level of administrative complexity and the possibility of automating the process to reduce workload. Learn more about automating the process of verifying identity and eligibility criteria in the following sections.

Eligibility Tier	Sample Required Documentation	Administrative Complexity & Automation Possibility
Tier 1 General Eligibility Criteria	Proof of residency, birth certificate or proof of age/grade, current enrollment verification in public/private school.	Basic criteria make implementation easier. Administrative Complexity: Low Automation Possibility: Likely
Tier 2 Cap Criteria	Tier 1 required documentation, plus additional documentation to verify priority under Cap Criteria.	Additional criteria for cap management increase complexity. Administrative Complexity: Moderate Automation Possibility: Moderate
Tier 3 Target Population Criteria	Tier 1 required documentation, plus additional means-testing documents (for low-income families), medical/educational records (for special needs), military ID/orders (for military families), foster care documents (for foster children), academic records (for academic-based eligibility), etc.	Highly specific and varied criteria make implementation challenging. Administrative Complexity: High Automation Possibility: Unlikely

Identity & Eligibility Verification Automation

Purpose

This section is intended to guide ESA administrators in transforming required eligibility verification processes from manual, error-prone methods to efficient, automated systems. It aims to demonstrate effective streamlining of verification procedures, ensuring accuracy and compliance with regulatory standards to greatly enhance efficiency and provide families with timely application status notifications.

Why Automation?

Automation aims to replace burdensome, manual application completion and review methods with a more efficient system. It involves data integration between information systems to validate documentation, such as residency, across state agencies. By integrating state information systems and using technology to automatically verify eligibility, we can eliminate the need for parents to submit and program administrators to review documentation that is already accessible to the state.

The technology to allow for data integration and processing can be procured via a third-party solution to minimize human error, boost processing speed and customer satisfaction, and streamline application handling.



Approval & Notification in

Real Time

Requirements

To allow automation in identity and eligibility verification for ESA programs, program administrators must secure the following:



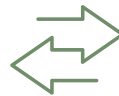
Authority/Funding

Legal authority and sufficient resources to administer or contract for the administration of the application process.



Partners

Solicitation of a third-party solution that includes a custom application programming interface (API) to integrate disparate data sources.



State Agency Cooperation

Cooperation from data custodians to secure data transfer (e.g., enabling access to Department of Transportation address verification).



Safety & Security

Oversight from the relevant state information technology leaders to ensure security of personal data.

How It Works



Define Integration Objectives and Requirements

Identify the goals of data integration (e.g., automating residency verification) and the specific data needed from various state agencies.



Establish Data-Sharing Agreements

Coordinate with legal teams to create agreements between the ESA program and relevant state agencies, addressing data privacy and security.



Develop Data Integration Architecture

Design the technical framework for data integration, selecting platforms or tools for secure connectivity between systems. Develop a guide for aligning data fields, and establish rules for standardizing data from different sources.



Test Integration Solution

Build the integration solution based on the architecture, and conduct thorough testing for data accuracy and system capacity.



Ensure Data Security and Privacy Compliance

Implement security measures, and ensure compliance with data privacy laws like the Family Educational Rights and Privacy Act for educational data.



Deploy and Monitor the Integration System

Roll out the integration system for use, and continuously monitor its performance for efficiency and accuracy.



Provide Training and Support

Train ESA program staff and stakeholders on system usage, and provide ongoing technical support.



Periodically Evaluate and Update System

Regularly review and update the system based on performance feedback and user experience.

Identity and Eligibility Verification Automation Case Study



Practical Example

Signed into law on January 24, 2023, Iowa's Students First Act enacted one of the most expansive school choice programs in the country. The bill establishes an ESA program for eligible families to cover tuition, fees, and other qualified expenses at accredited nonpublic schools in Iowa. Universal eligibility is phased in over three years, with eligibility limited based on household income in years 2 and 3.

There were several risks to launching the program on time, including an expedited timeline for application process development, data fragmentation across disparate sources, lack of incentives for collaboration from key stakeholders, and the pressure of a brief application window. A public-private partnership played a pivotal role in navigating these complexities, delivering innovative automation solutions that streamlined the application process, alleviated administrative burdens, and upheld the integrity of the program.

Approach

Executive Leadership and Motivating Urgency

The governor's office played a pivotal role in ensuring an expedited program launch. Marking program implementation as a top priority, the governor facilitated collaboration between the Tax Commission and the Department of Education. This leadership contributed significantly to the program's success.

Request for Proposal (RFP) for Market Discovery

Soon after the program was enacted, an RFP was released identifying the administrative areas for which the state required support. One of the areas identified was a process for validating participant eligibility. Odyssey, a vendor committed to making ESA and microgrant programs more accessible to families and more transparent for state leaders, proposed a streamlined process and was ultimately selected.

The RFP supported the vendor's success by providing guiding information for the vendor up front, such as the roles, responsibilities, and expectations to be met. This proactive approach in developing a well-framed RFP was crucial in minimizing potential challenges during the implementation phase.

Leveraging Technology for a Better User Experience

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.

Odyssey offered a holistic solution, eliminating the need for families to upload extensive paperwork during the application process. This not only relieved the administrative burden on families but also reduced the state's dependence on additional personnel for application management. The technological infrastructure acted as a catalyst, allowing the program to scale effectively.

Contingency Planning as a Strategic Imperative

Participating agencies included the governor's office, the Tax Commission, and the Department of Education. If agency participation waned, the program had contingencies in place, such as using voter records to verify residency, to ensure a backup plan to verify eligibility.

Approach (cont'd)

Data Utilization for Efficient Processing

With Odyssey's technology and collaboration from the state agencies, a task that usually takes weeks when done manually elsewhere was reduced to milliseconds. In Iowa, the Tax Commission possesses all the records required for identity and eligibility verification, such as tax returns and residency requirements. Meanwhile, the application requires certain information, including full legal names, addresses (including previous the year's tax return address, if applicable), and Social Security or ITIN information. To facilitate instantaneous data verification, Odyssey developed a customizable API to allow for seamless communication between systems, ensuring immediate backend verification when parents submitted their residency and income data.

Data Sharing and Consent

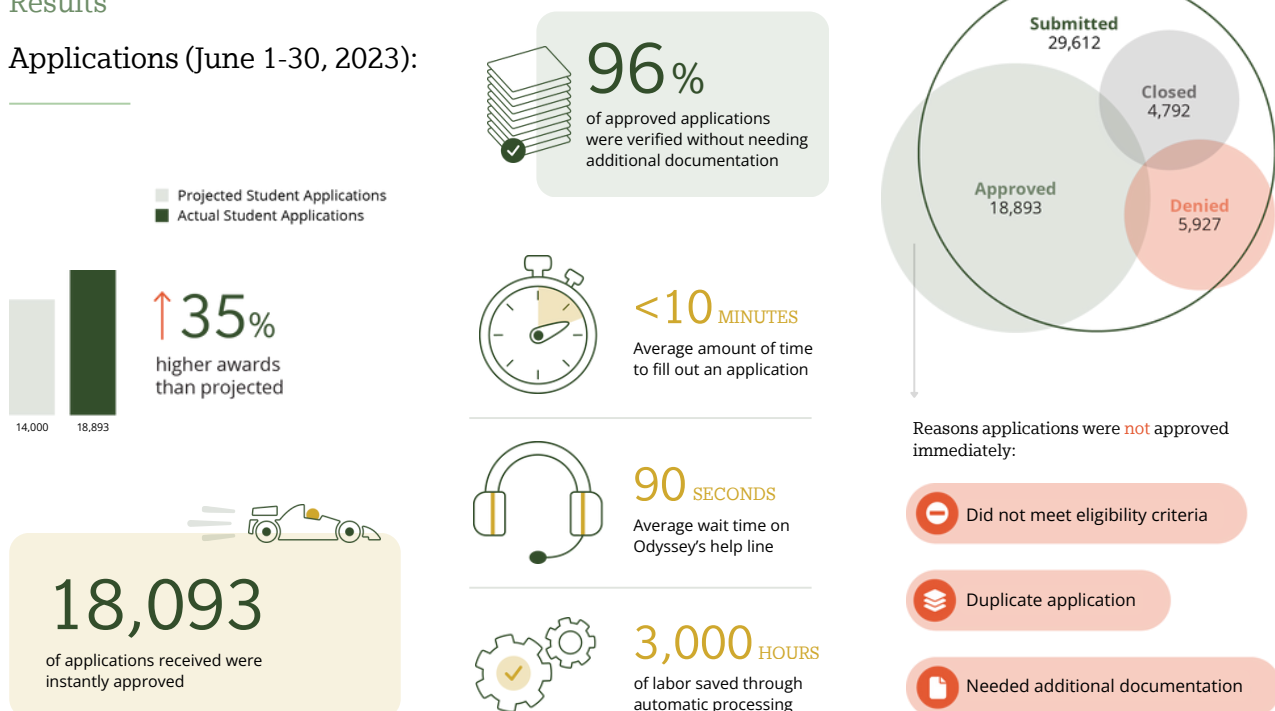
Communication between systems cannot happen without data sharing. Since data cannot be shared without the informed consent of the owner, Odyssey implemented a process through which guardian acknowledgment and consent were obtained via electronic signatures. The Tax Commission also notified parents about the information-sharing process, ensuring transparency and compliance.

Efficiency and Resource Allocation

The program moved swiftly from implementation to launch in just 6-8 weeks, a testament to efficient project management. Both the state and Odyssey allocated necessary resources to support the program. On the governmental side, the vested stakeholders included the ESA program's director and the program's IT lead at the Department of Education, the IT team at the Tax Commission, and the state communications team. On the vendor side, Odyssey leveraged its U.S.-based support team, project leads, implementation manager, account manager, and technology team, as well as operations and marketing, to create continual demand for the program.

Results

Applications (June 1-30, 2023):





Chapter 2:

Marketing & Communications

Introduction

A robust marketing and communications strategy is essential to both generate awareness of the ESA program and keep stakeholders well informed. This chapter explores key aspects of communications and provides tools that program administrators can employ to deliver precise and timely information to various stakeholders. This chapter also dives into marketing efforts and offers templates that program administrators may use to effectively market the program to eligible families and report impact stories that will foster confidence in the ESA program among the public.



Plan

Marketing and communications requirements will differ across states, shaped by the specific statute that governs each program. Prior to determining the ESA program's communication and marketing strategy, the program administrator must conduct a review of the statutory language that governs the program from an implementation perspective with the goal of understanding:

- All requisites pertinent to marketing and communications.
- Appropriation/budget review for implementation, including any line items for marketing and communications.
- Whether an in-house solution or procurement of a third-party solution is required.

Understanding the above will allow the program administrator to be prepared to develop objectives, set milestones, and assign responsibilities.



Design

While some states directly manage the marketing and communications of the program, others may outsource the task to a vendor. Depending on statutory requirements, there may be various approaches to consider when implementing marketing and communications. For example:

- States can manage marketing of one or multiple programs through the administering state agency.
- States can contract with one or multiple vendors to handle marketing of one or multiple programs.

Guide to Communications

Purpose

This section offers a guide for establishing a strong communication process. More specifically, it identifies relevant stakeholders, specifies the information to be conveyed to them, discusses the methods and frequency of communication, and explores various communication channels and tools available to program administrators. This guidance will help program administrators better understand how to engage with stakeholders, what information to prioritize, and how to utilize different mediums for effective communication.



Build

Stakeholder Identification

Program administrators are responsible for relaying information regarding the ESA program to specific individuals. A program administrator should begin building their communications plan by first identifying stakeholders. The relevant stakeholders for ESA programs can be categorized as follows:



Families

Parents, guardians, and family members



Schools & Education Providers

School district administrators and associations, teachers' organizations, private educational institutions, and service providers



State Lawmakers

State senators, representatives, education committee members, and champions



State Officials

Rulemaking authority and oversight officials (e.g., Department of Education, state treasurer, governor's office)



Taxpayers

General public, advocacy groups, community groups, and public media


Needs Assessment

After identifying stakeholders, the program administrator should assess what information needs to be communicated to them, how it should be shared, and the frequency of communication. The table below provides examples for program administrators to consider during a needs assessment.







Stakeholders	What to Communicate	How to Communicate	When to Communicate
Families	Benefits, eligibility criteria, application processes and timelines/deadlines, useful program data, accessibility information, data privacy	Website, personalized emails/newsletters, informational webinars, social media, direct mail, online training modules, text messaging, community events	Regular intervals (weekly, monthly, and quarterly), key enrollment dates
Schools & Education Providers	Funding and reimbursement timelines/deadlines, application processes, useful program data, benefits, compliance requirements	Professional meetings, educational conferences, direct emails, newsletters, community events	At the start of the academic year, key enrollment dates, periodically throughout the year, as updates arise
State Lawmakers	Program impact, success stories, legislative needs	Formal reports, policy briefs, in-person meetings, legislative hearings	Before and during legislative sessions, during the implementation phase, during budget discussions
State Officials & Leadership	Operational updates, compliance status, program challenges and successes	Official memos, policy briefs, scheduled meetings, press releases	Quarterly, during budget cycles, when significant changes or achievements occur
Taxpayers	Success stories, annual audit findings, financial transparency data	Public forums, social media, local media, podcasts	During annual performance reviews and public budget discussions to periodically showcase successes

Communication Channels

A wide array of communication channels and tools exist to disseminate information, each serving a different purpose. The program administrator should consider leveraging available resources to optimize communication with stakeholders. The below enumerates such channels.

	Email	Provide direct, personalized communication, sharing updates and sending important documents.
	Social Media Platforms	Engage with a wide audience, share content, and interact in real-time discussions.
	Website or Blog	Use as a central hub for information, announcements, and resources.
	Newsletters	Distribute periodic updates, news, and relevant information to subscribers.
	Direct Mail	Send physical letters or materials to reach target families.
	Phone Calls	Enable direct conversations for personalized communication and problem-solving.
	Text Messaging (SMS)	Send quick updates or reminders to individuals' mobile devices.
	Webinars	Host online seminars or trainings to educate and engage program applicants, participants, and on-the-ground partners and advocates.
	Digital Signage	Display announcements or information in public spaces using electronic displays.

Communication Channels (cont'd)

	Podcasts	Share audio content for informative or storytelling purposes, accessible on demand.
	Press Releases	Announce newsworthy information to media outlets and the public.
	Public Speaking Engagements	Present information to audiences at events, conferences, or meetings.
	Community Events & Workshops	Engage with local communities and provide in-person support.
	Printed Materials	Distribute physical materials, such as brochures or posters, for offline communication.
	Interactive Online Forums	Facilitate discussions and exchange ideas among participants.

Develop the Communications Plan

Purpose

This section details a step-by-step strategy to successfully deploy a communications plan. It also offers guidance on team management practices and recommendations to continuously improve the communications plan, emphasizing the need for regular assessment, feedback collection, and adaptation to evolving trends and stakeholder needs.



Execute

Strategy

After conducting the stakeholder identification and needs assessment in the previous section, follow this guide to develop a formal communications strategy. See the subsequent section for a sample communications plan.

1

Set Communications Objectives

Objectives should be specific, measurable, achievable, relevant, and time-bound (SMART), such as:

- Increase applications or enrollment by [X]% within [timeframe].
- Increase email open rate by [X]% within [timeframe].
- Host [X] webinars within [timeframe] to educate [audiences] about the program.
- Reduce [X] frequently asked questions by addressing them on [channels] within [timeframe].

2

Segment the Audiences

Tailor communication to effectively reach and engage identified audiences. Consider demographics (age, gender, income, education level, occupation, and location), psychographics (attitudes, values, lifestyles, and interests), or communication preferences when customizing. Additionally, ensure communication is available in multiple languages and culturally inclusive, addressing the specific needs and concerns of diverse families.

3

Allocate the Budget

Determine the budget for communication efforts, allocating resources to different channels based on their potential impact and cost-effectiveness. Consider factors such as content creation expenses and staff or agency fees, whether developed in-house or outsourced.

4

Define Roles and Responsibilities

Outline the specific tasks, functions, and accountabilities of individuals or teams involved in executing the communications plan. Assign roles and responsibilities based on expertise, experience, and capacity. See Team Management Practices on the next page for additional information.

5

Choose Appropriate Communication Channels

Select the most suitable platforms and methods for delivering messages to the target audiences. Consider matching the message to the medium. For example, visual content like infographics or videos may be more suitable for social media, while detailed information may be better suited for newsletters or websites.

6

Adhere to Communication Guidelines

Guidelines, consisting of style, formatting, and language conventions, serve as a framework to ensure uniformity, clarity, and effectiveness. Guidelines should also include legal and ethical guidelines governing communication practices, such as regulations related to privacy, data protection, and intellectual property rights. To help, have readily available templates to standardize workflows and facilitate collaboration among team members.

7

Create Content Calendars

Organize the creation and distribution of content over a specific period. Quarterly content calendars, for example, outline communication themes and topics to be executed over a three-month period. Content calendars should be dynamic documents that are regularly reviewed and refreshed as needed. This allows for flexibility in response to changing priorities or unforeseen circumstances.

8

Develop a Crisis Communications Plan

Develop a crisis communications plan to address potential issues or emergencies that may arise. Outline protocols for responding to crises swiftly and transparently, maintaining trust and credibility with the audiences.

9

Monitor and Measure Performance

Monitor metrics such as website traffic, social media engagement, and email open rates. Assess results to improve the communications plan.

Team Management Practices

The team of staff dedicated to communications must be equipped with the necessary skills and expertise. To accomplish this, integrate these team management practices:

- ☐ Execute a training program to ensure all staff understand and comply with all guidelines and standards. Train higher-level staff to review all content for accuracy, consistency, legality, and ethical considerations to maintain the program's integrity and reputation.
- ☐ Foster collaboration and communication among team members in various departments (e.g., communications and customer service) to leverage diverse perspectives and expertise to improve communications.
- ☐ Employ staff members to analyze data to optimize communication and to effectively reach target audiences.
- ☐ Employ externally focused communications team members who engage with stakeholders, including families, schools, education providers, community organizations, and policymakers, to gauge communication needs.
- ☐ Empower staff to identify root causes for communication issues and suggest solutions.
- ☐ Conduct, track, and report performance audits regularly.



Support

The program administrator should review the communications plan on a regular basis to ensure it remains relevant and effective. The program administrator can also make refinements based on insights gathered from performance metrics and audience interactions. Below are a few recommendations to achieve this:

- Regularly review and update communication materials, website content, and marketing collateral to reflect program updates and changes.
- Regularly review data from customer interaction tools (emails, customer service hotline, social media) to identify FAQ trends or issue areas in which communication efforts may be falling short. Adjust the communications plan to mitigate these FAQ and issue areas.
- Solicit input and involvement from key stakeholders, including program participants, schools, education providers, policymakers, and community partners, to ensure alignment with their needs and priorities.
- Stay up to date on industry trends, best practices, and emerging technologies, and adapt as necessary.
- Implement a robust tracking and analytics system to measure the effectiveness of communication initiatives.

Content Calendar Template

Purpose

This section offers an exemplary communications plan. This plan specifies what information needs to be conveyed, the format in which it should be delivered, the frequency of communication, and who it should be provided to. By presenting a structured approach, including clear objectives, appropriate channels, and consistent communication schedules, this example serves as a valuable guide for program administrators.



Practical Example

Content Calendar



= Website



= Text Message (SMS)












= Newsletter



= Email



= Portal Notification

Communication	Purpose	Channel	Frequency	Audience
Program Launch and Announcements	Notify stakeholders about the launch of a new program or the introduction of significant updates to existing programs.	 	Annually or quarterly	Enrolled participants
	Include details about the program's purpose, benefits, and eligibility criteria and how to participate.			Members of the public
Application Periods and Deadlines	Communicate the opening and closing dates of application periods for enrollment, funding, or participation in the program.	    	Monthly or weekly	Families who have started the application
	Remind stakeholders of approaching deadlines to encourage timely submissions.			Members of the public Community partners
Policy Changes and Updates	Inform stakeholders about any changes to program policies, regulations, or guidelines.	 	As needed	Enrolled participants
	Clearly explain how the changes may impact them, and provide resources for further information.			Community partners

Event Invitations	<p>Invite stakeholders to participate in workshops, webinars, conferences, or community events related to the program.</p> <p>Include details such as date, time, location, and registration information.</p>	 	Monthly	<p>Enrolled participants</p> <p>Members of the public</p> <p>Community partners</p>
Educational Resources and Training Opportunities	<p>Provide educational materials, resources, and training opportunities that can help stakeholders better understand the program, its benefits, and how to navigate it effectively.</p>	 	Quarterly	<p>Enrolled participants</p> <p>Community partners</p>
Frequently Asked Questions	<p>Address common queries and concerns that stakeholders may have about the program. Compile and share a list of frequently asked questions along with clear and concise answers.</p>		Update as needed	<p>Enrolled participants</p> <p>Community partners</p>
Reminder Messages	<p>Send periodic reminders about upcoming events, deadlines, or key milestones related to the program.</p>	 	As needed	<p>Enrolled participants</p> <p>Families who have started the application</p>
Surveys	<p>Request feedback from stakeholders through surveys or feedback forms to gauge their satisfaction with the program and gather insights for improvement.</p>	  	Quarterly	<p>Enrolled participants</p>
Accessibility and Support Information	<p>Provide information on accessibility options, support services, and helplines available to stakeholders who may need assistance or have specific needs.</p>		Annually	<p>Enrolled participants</p>
Data Privacy and Security Information	<p>Communicate the program's commitment to data privacy and security, ensuring stakeholders' personal information is protected.</p>		Annually	<p>Enrolled participants</p>
Success Stories and Testimonials	<p>Highlight families who have been positively impacted by participating in the program. By sharing real-life experiences, the program will resonate with stakeholders on a personal level.</p>	 	Annually	<p>Enrolled participants</p> <p>Members of the public</p> <p>Policymakers</p>

Guide to Marketing

Purpose

Marketing plays a pivotal role within the context of implementation as a means to grow awareness and participation, as well as to foster a positive public perception of the ESA program across diverse audiences. This section offers a guide to develop the branding and messaging as well as for what tools are available to deploy the content.



Build

Branding

A strong brand resonates with stakeholders and establishes trust. Key considerations for branding include:

- ☐ Articulating the program's purpose.
- ☐ Developing brand elements for visual identity (logo, color schemes, and primary iconography).
- ☐ Ensuring consistency in branding to reinforce brand recognition and trust.
- ☐ Incorporating branding into all marketing and communication materials, such as marketing campaigns, press releases, social media posts, email newsletters, etc.
- ☐ Monitoring engagement to make adjustments as needed.








Messaging









Clear, compelling, and consistent messaging enhances understanding and motivates engagement. Key considerations for messaging include:

- ☐ Developing key messages, taglines, tone, and voice. Consider the audience's varying interests, expectations, and levels of understanding about the program.
- ☐ Setting messaging guidelines to maintain consistency.
- ☐ Ensuring alignment of messaging with the brand identity.
- ☐ Anticipating and prepare responses to messaging challenges. Consider looking to other states to foresee some predictable pain points.
- ☐ Monitoring audience perception and reception to make adjustments as needed.

Marketing Tools

Similar to communication channels, various marketing tools exist to disseminate information, each serving a different purpose. Depending on the program's size and marketing budget, a program administrator may leverage the following tools:

	Printed Materials	Printed materials containing information about the program, often distributed at events, at conferences, or through direct mail.
	Social Media	Platforms such as Meta, X, and LinkedIn to share content, engage with audiences, and promote the program.
	Programmatic Pre-roll CTV	Digital ads that play short videos before a user starts watching online video content, including on connected TVs (CTV).
	Email Marketing	Targeted promotional or informational messages to a list of subscribers.
	Content Marketing	Blog posts, articles, videos, and infographics to attract and retain a target audience.
	Search Engine Optimization (SEO)	Website content and structure to improve visibility and rankings on search engine results pages and to attract organic traffic.
	Pay-per-Click (PPC) Advertising	Online advertising model in which advertisers pay a fee each time their ads are clicked, commonly used in search engine advertising (e.g., Google Ads) and social media advertising.

	Media Coverage	Story pitches to journalists/news publications to include in local coverage.
	Advocacy Events	Participation in or sponsoring of advocacy events and conferences to raise awareness and engage with target audiences.
	Direct Mail	Physical promotional materials via postal mail.
	Mobile Marketing	Advertisements to mobile device users through channels such as mobile apps, SMS marketing, or location-based advertising.
	Video Marketing	Video content to educate and inform target audiences, often through platforms like YouTube, Vimeo, or social media channels.
	Affiliate Marketing	Partnerships with affiliates or third-party publishers to promote the program.
	Referral Programs	Incentives for participating families to refer others to the program.
	Policy Briefs & Annual Reports	Formal documents to relay program results to certain stakeholders, such as state lawmakers and state education officials.

Develop the Marketing Plan

Purpose

This section details the strategies and the team needed to successfully deploy a marketing plan. It also offers guidance to continuously improve the marketing plan, emphasizing the need for regular assessment, feedback collection, and adaptation to evolving trends and stakeholder needs.



Execute

Strategy

After conducting the stakeholder identification and needs assessment in the previous section, follow this guide to develop a formal marketing strategy. See the subsequent section for free, downloadable branding assets.

1

Set Marketing Objectives

Objectives should be specific, measurable, achievable, relevant, and time-bound (SMART), such as:

- Raise awareness of the program among [target audience] by [X]% within [timeframe].
- Improve public perception of the program by [X]% within [timeframe].
- Improve online engagement metrics (e.g., time on site) by [X]% within [timeframe].
- Increase impressions on [social media platform] by [X]% within [timeframe].

2

Segment the Audiences

Tailor marketing to effectively reach and engage identified audiences. Consider demographics (age, gender, income, education level, occupation, and location) and psychographics (attitudes, values, lifestyles, and interests) when customizing. Program administrators may consider partnering with trusted and influential organizations to increase program visibility and credibility among diverse audiences.

3

Allocate the Budget

Determine the budget for marketing efforts, allocating resources to different tools based on their potential impact and cost-effectiveness. Consider factors such as content creation expenses and advertising costs, whether developed in-house or outsourced.

4

Define Roles and Responsibilities

Outline the specific tasks, functions, and accountabilities of individuals or teams involved in executing the marketing plan. Assign roles and responsibilities based on expertise, experience, and capacity. See team management practices below for additional information.

5

Choose Appropriate Marketing Tools

Select the most suitable platforms and tools for marketing the program to target audiences. Consider the effectiveness and reach of tools and the preferences and habits of audiences, whether the tools are traditional (print media and in-person events) or digital (social media).

6 Adhere to Branding and Messaging Guidelines

Follow guidelines to ensure uniformity, clarity, and effectiveness. Guidelines should also include legal and ethical guidelines governing marketing practices, such as regulations related to truth in advertising, disclosures, disclaimers, and transparency requirements. To help, have readily available templates to standardize workflows and facilitate collaboration among team members.

7 Create Campaign Calendars

Organize the creation of marketing campaigns. Set deadlines and milestones for creative assets to be used for each campaign, ensuring consistency and alignment with campaign objectives, whether that be to raise awareness, drive enrollment, or promote specific features of the ESA program.

8 Monitor and Measure Performance

Evaluate performance against established objectives, and be prepared to adjust the marketing plan as needed based on feedback and results.

Team Management Practices

- ☐ Execute a training program to ensure all staff understand and comply with guidelines and maintain brand identity. Train higher-level staff to review all content for accuracy, consistency, legality, and ethical considerations to maintain the program's integrity and reputation.
- ☐ Employ or assign staff to oversee the marketing strategy, including conducting market research to gather insights into consumer behavior and market trends to inform the plan.
- ☐ Foster collaboration and communication among team members in various departments (e.g., marketing and customer service) to leverage diverse perspectives and expertise to improve communications.
- ☐ Empower staff to identify root causes for marketing issues and suggest solutions.
- ☐ Regularly conduct, track, and report performance audits.

**Support**

The program administrator should review the marketing plan on a regular basis to ensure it remains relevant and effective. The program administrator can also make refinements based on insights gathered from performance metrics and audience interactions. Below are a few recommendations to achieve this:

- Regularly review and update marketing collateral to reflect program updates and changes.
- Regularly review data from customer interaction tools (emails, customer service hotline, social media) to identify where marketing efforts may be falling short. Adjust the marketing plan to mitigate these issue areas.
- Monitor media mentions and solicit input on public perception from stakeholders to gauge brand reputation and awareness.
- Stay up to date on industry trends, best practices, and emerging technologies, and adapt as necessary.
- Track website traffic, social media engagement, and enrollment numbers to measure the effectiveness of marketing campaigns.

Branding Templates

Purpose

This section offers assets that can be downloaded and used free of charge to support branding of an ESA program or inspire marketing collateral, as well as listing affordable branding and design tools for marketing and communications teams to utilize.

You can access downloadable templates at yeseverykidfoundation.org/esa-implementation-roadmap.



Practical Example

Branding Inspiration & Templates

Palm Cards

When it comes to education,

MORE IS MORE.

We're here to make sure you can

FIND, USE, AND LOVE

your school options!

Want to know more about your options?

Ready to apply for the [INSERT NAME]?

Already using your [INSERT NAME] but need help?

We've got your back!

State.LearnersLoveOptions.org

Learners
LOVE
Options

[STATE NAME]
gives options to every learner!

MEET THE
[Insert Scholarship Name]?
Now, you can afford to give your child the education
that fits their unique needs!

WHAT IS THE
[Insert Scholarship Name]?
Lorem ipsum dolor sit amet, consectetur adipiscing
elit. Nam hendrerit nisi sed sollicitudin pellentesque.

How much is the scholarship?
Lorem ipsum dolor sit amet.

Who qualifies?
Lorem ipsum dolor sit amet, consectetur adipiscing elit. Nam
hendrerit nisi sed sollicitudin pellentesque.

WHERE CAN I USE MY
[Insert Scholarship Name]?
Lorem ipsum dolor sit amet, consectetur
adipiscing elit. Nam hendrerit nisi sed
sollicitudin pellentesque.

One-Pager



WHAT IS THE

[INSERT SCHOLARSHIP NAME]?

[STATE NAME]

gives options to every learner!

MEET THE

[Insert Scholarship Name]?

Now, you can afford to give your child the education that fits their unique needs!

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Nam hendrerit nisi sed sollicitudin pellentesque. Nunc posuere purus rhoncus pulvinar aliquam. Ut aliquet tristique nisl vitae volutpat. Nulla aliquet porttitor venenatis. Donec a dui et dui fringilla consectetur id nec massa. Aliquam erat volutpat. Sed ut dui ut lacus dictum fermentum vel tincidunt neque. Sed sed lacinia lectus. Duis sit amet sodales felis.

How much is the scholarship?
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Who qualifies?
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How do I apply?
 Lorem ipsum dolor sit amet, consectetur adipiscing elit. Nam hendrerit nisi sed sollicitudin pellentesque. Nunc posuere purus rhoncus pulvinar aliquam. Ut aliquet tristique nisl vitae volutpat. Nulla aliquet porttitor venenatis.

WHERE CAN I USE MY

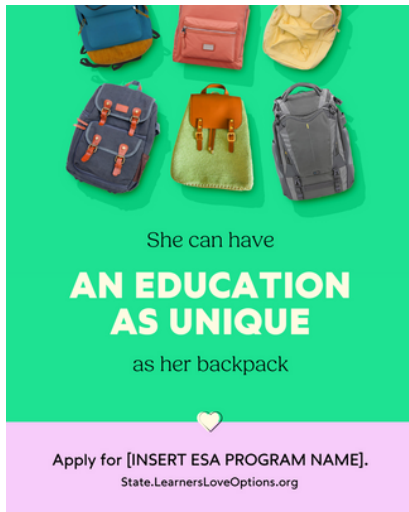
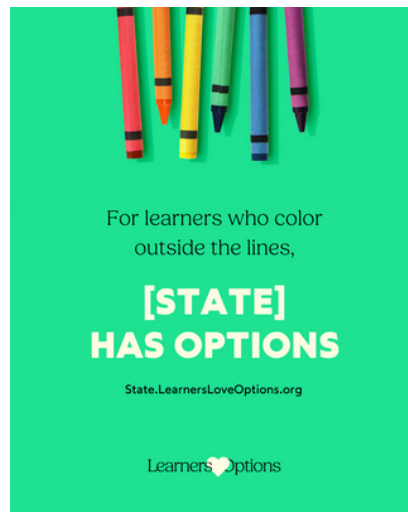
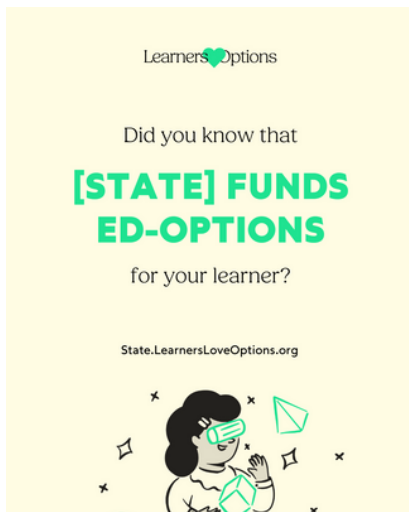
[Insert Scholarship Name]?

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Nam hendrerit nisi sed sollicitudin pellentesque. Nunc posuere purus rhoncus pulvinar aliquam. Ut aliquet tristique nisl vitae volutpat. Nulla aliquet porttitor venenatis.

Learners  Options

Want to know more?
 Ready to apply?
 Already using it & need help?

state.learnersloveoptions.org

Social Media Ad: Application**Social Media Ad: Awareness**

Branding and Design Tools

Below is a list of free and affordable branding and design tools available to program administrators.

**Canva**

Intuitive design tool with templates for all branding needs.

**Adobe Express**

Effortlessly Create graphics, web pages, and video stories.

**GIMP**

Free, open-source image editor for high-quality photo manipulation.

**Inkscape**

Powerful, free tool for vector graphic design and illustrations.

**Figma**

Collaborative interface design tool with real-time team collaboration features.

**Pixlr**

Cloud-based photo editor for quick, professional-level editing.

**Blender**

Comprehensive open-source tool for 3D creation, including animation.

**Google Fonts**

Extensive library of free fonts for digital and print use.

**Unsplash**

High-resolution, royalty-free images ideal for any project.

**ColorZilla**

Browser extension for color picking and palette creation.

Marketing & Communications Case Study



Practical Example

On January 28, 2023, the Utah Fits All (UFA) Scholarship Program was signed into law, creating \$8,000 customizable scholarships for 5,000 students in grades K-12. This universal ESA program covers tuition, therapies, tutoring, textbooks and curriculum, extracurriculars, education fees, public school courses, and other qualified expenses.

Utah Education Fits All (UEFA), a nonprofit parent and education service provider advocacy organization rallied Utahns to support passage of the program, marketed the program, empowered families and providers to understand and utilize the program, and protected public perception of the UFA scholarship, all efforts contributing to an expansion that doubled the size of the program from 5,000 to 10,000 scholarships. This case study details UEFA's successful marketing and communications efforts and the results.

Approach

Pre-apply Marketing Campaign

After testing messaging and landing pages, UEFA discovered the core message that resonated with Utah parents was the UFA scholarship amount and its flexible use. UEFA used this message to develop a marketing campaign to attract parents of school-age children to “pre-apply” for the program via the UEFA website to stay informed, be involved, and receive reminders and assistance when applications opened.

Pre-applicants were captured in UEFA's Customer Relationship Management platform, HubSpot, which became the organization's central service, email marketing, contact management, analytics, and reporting tool. The pre-application marketing campaign ran for seven months, allowing UEFA to establish a relationship with over 20,000 families, covering nearly every ZIP code in Utah across 125 urban, suburban, and rural geographies.

The campaign was about more than just marketing, its purpose was to build trust and a sense of community. UEFA wanted parents to feel that they were part of an important, powerful movement. UEFA's role—advocating for, supporting, informing, and empowering parents—was clearly communicated and made the difference. In turn, the organization successfully built awareness and knowledge about the program to a targeted audience of K-12 parents through a database and follow-up engagement. It seeded a community of engaged parents, demonstrated demand for the program, and ultimately helped guide families to the application portal.

Building a Community

UEFA deployed a multipronged communication strategy involving webinars, social media, text, and email marketing, establishing a parent journey of engagement and continual updates. Parents and education providers received a sequence of emails upon conversion that laid the foundation for UEFA's ongoing relationship with them. Depending on when they converted, this email journey introduced important program timeline details, pressing calls to action, explaining UEFA's role in the UFA Scholarship and in Utah education choice, and opportunities to engage further.

Additionally, UEFA held events for two purposes. First, they wanted to build a sense of community and connect families with each other and with providers of educational resources and services.

Building a Community (cont'd)

Second, events were held to reach families otherwise unreached by digital marketing, primarily the at-risk communities. For this purpose, UEFA leveraged relationships, including the Utah Private Schools Association, private school leaders and families, pastors, churches, community leaders, refugee communities, homeschooling groups, and foster parents, to present at small and large gatherings, events, and fairs. Through this, UEFA reached nearly 10,000 parents.

"Traditional grassroots is more laborious, costly, and provides less return on investment than digital. To spend wisely, UEFA prioritized digital marketing and used events and partnerships to reach other Utah communities. This not only got the UFA scholarship in front of tens of thousands of Utah families, but we found that natural advocates and partnerships arose naturally because we connected with so many Utahns."

— ROBYN BAGLEY, EXECUTIVE DIRECTOR, UTAH EDUCATION FITS ALL

During implementation, some grassroots outreach was spurred by the digital marketing campaign, both by request—pre-applicants seeking more information for their communities—and organic grassroots energy from pre-applicant families. Through its web page, UEFA offered events and educational collateral to amplify organic grassroots activity.

UEFA also registered 645 private schools and providers, of which 440 have been approved as qualifying providers for the program to date, significantly expanding educational options available to families.

Leveraging an Online Community for Legislative Outreach

Following the pre-apply marketing campaign, UEFA activated its community through UEFA's weekly email communications, text messages, and social media, which families and providers came to rely on for updates after the pre-apply campaign. UEFA learned legislative advocacy doesn't require a traditional team of grassroots advocates and volunteers. Rather, UEFA effectively activated advocates at scale through digital communication.

Using a legislative outreach platform, the UEFA community highlighted the outsize number of families interested in utilizing the program. UEFA demonstrated to legislators that the community was eight times larger than the initial allocation and represented nearly every Utah ZIP code and community. UEFA showed that its community was rural, urban, small town, and suburban and interested in every type of school choice—homeschool, private, microschool, hybrid, online, partial public, and more.

As a result of these advocacy efforts, the UEFA community helped secure a near doubling of program funding, from \$42.5 million to \$80 million, during the 2024 session—a year prior to the first school year of the program. This funded 10,000 scholarships for the 2024-25 academic year.

Leveraging an Online Community to Demonstrate Demand

When the application portal launched on February 27, 2024, UEFA again activated its community and helped generate over 10,617 applications within the first 24 hours, with numbers climbing to nearly 27,270. This phase was supported by continued engagement strategies through targeted communication to encourage a strong turnout of applicants, highlighting the program's demand to legislators.

Results

Heading into program implementation, UEFA had three goals: demonstrate demand to at least double funding before the first year of the program launch, foster a grassroots advocate army, and ensure over 20,000 parents applied to aid future legislative outreach and foster program adoption. Due to the strategic approach outlined above, UEFA not only met but exceeded these goals and set a strong foundation for the ongoing expansion and success of the Utah Fits All Scholarship Program.

"When you joined our movement and started this journey with UEFA, we shared that one of our top priorities is to demonstrate the enormous level of demand by Utah families for the Utah Fits All Scholarship in hopes of obtaining additional funding to serve more students. We weren't worried about achieving our ambitious goal for demonstrating demand. We already know that parents want choice when it comes to the education of their children. After all, it's Utah parents who shared their stories, testified in committee hearings, and contacted their legislators in support of the law last year. You helped make it happen!"

— EXCERPT FROM UEFA PARENT ACTIVATION EMAIL

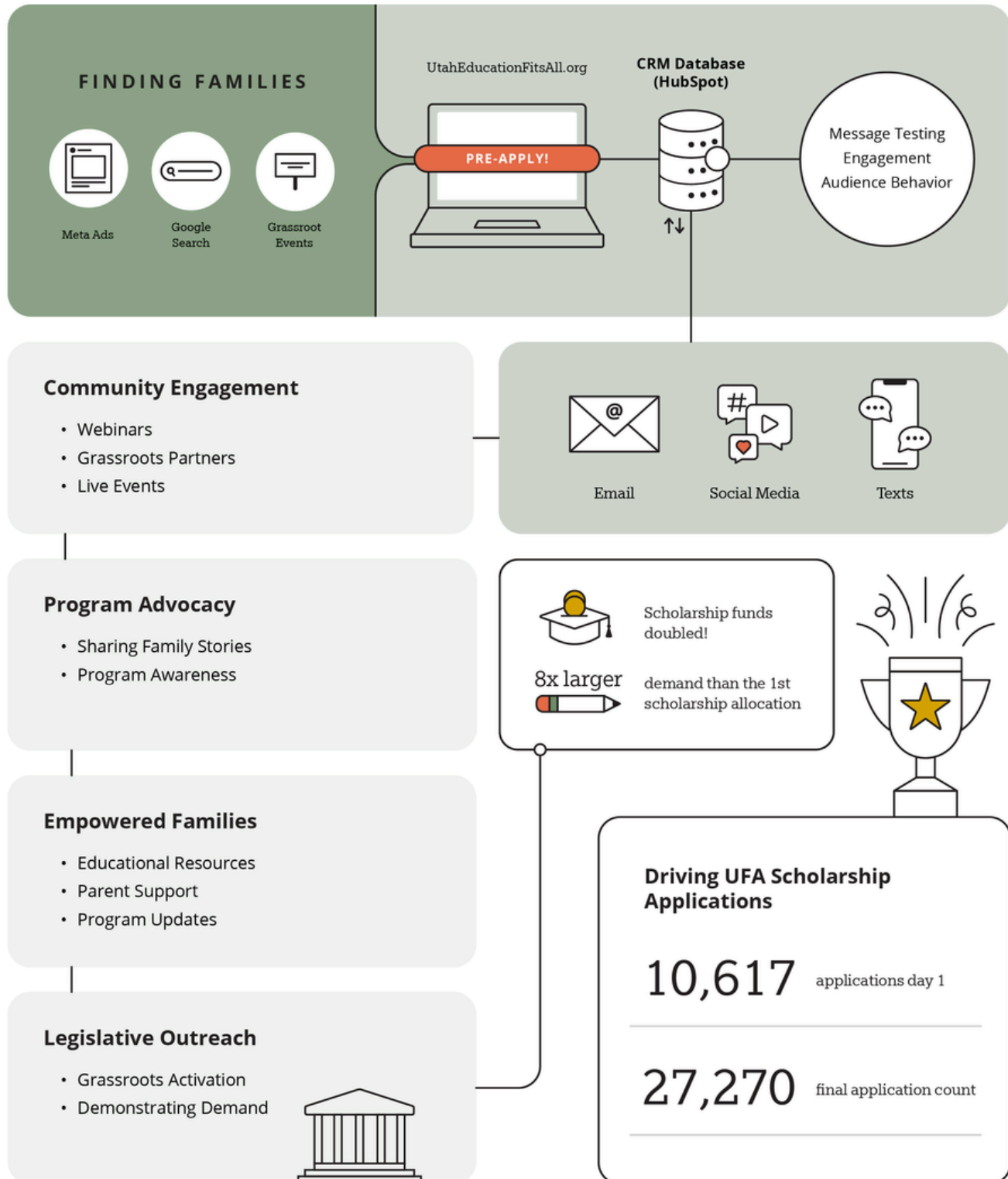
Impact



Six Virtual Town Hall Webinars to date



UEFA Family Journey





Chapter 3:

Customer Service

Introduction

Families, schools, and education service providers entering ESA programs are venturing into new educational territories and require clear, timely, and supportive guidance. Program administrators can demonstrate, from the beginning, that it is possible to provide customer service tailored to families exploring new educational options for their children and providers aiming to cater to them. This chapter will equip program administrators with the knowledge and strategies needed to build an effective and responsive customer service model that meets the evolving needs of stakeholders.



Review Statutory Language

Customer service initiatives will differ across states, shaped by the specific statute that governs each program. Prior to developing a customer service strategy, conduct a review of the statutory language that governs the program from an implementation perspective to understand the following:

- All requisites pertinent to customer service, such as satisfaction surveys and reporting.
- Appropriation and budget details for implementation that includes any line items for customer service.
- Whether an in-house solution or procurement of a third-party solution is required to fulfill customer service needs.



Approach to Design

This chapter outlines an approach for developing a customer service implementation plan suitable for both new and existing ESA programs by providing the following:

- Identification of customers and their needs.
- Summary of customer service principles that prioritize transparency, efficiency, and empathy.
- Step-by-step guide for developing a customer service plan.
- Recommendations for policies, procedures, and metrics that ensure customer service is accessible and responsive to stakeholders, including team management practices and integration of technology.
- Evaluation techniques to optimize customer service delivery.
- Practical examples that highlight best practices.

Guide to Customer Service

Purpose

This section offers program administrators an overview of the process involved in creating a customer service plan. It covers customer identification, customer needs assessment, principles of customer service, and a range of tools to effectively engage customers. Acting as a primer, this section equips program administrators with a foundation upon which they can expand and develop more comprehensive strategies.



Customer Identification

Identifying the customers of an ESA program is straightforward. While program administrators may recognize additional customers, these are likely to be of secondary importance. The customers listed below will account for most of the workload. Families will be the priority audience.



Families

Parents or guardians applying to or participating in the ESA program.



Education Providers

Schools, organizations, tutors, therapists, and other institutions or individuals offering educational services to ESA-enrolled students.






Advocacy Groups

Community organizations or organized groups of parents and/or providers dedicated to assisting families in navigating the ESA program.

Needs Assessment

After identifying customers, program administrators should understand their needs and the barriers that may prevent these needs from being met effectively. By addressing these specific barriers, administrators will be better equipped to fulfill the diverse needs of their communities. The below table identifies the most common needs and barriers, but program administrators may expand on them based on their local demographics.

Customer	Needs	Barriers
Families 	<ul style="list-style-type: none"> • Understanding eligibility criteria • Questions about the application • Navigating educational options • Flexibility with fund allocation • Financial management and transparency • Access to timely, accurate resources • Managing appeals 	<ul style="list-style-type: none"> • Non-native English-speaking families may encounter difficulties understanding program information. • Families residing in remote or rural areas may face additional hardship accessing information. • Those with access only to mobile phones may face added barriers.
Education Providers 	<ul style="list-style-type: none"> • Understanding eligibility criteria • Issues with the application • Receiving payment for services rendered • Issues with reimbursement • Support communicating with families • Dispute resolution • Compliance with guidelines 	<ul style="list-style-type: none"> • Limited staff and time • New businesses • Understanding payment timelines and the impact on cash flow
Advocacy Groups 	<ul style="list-style-type: none"> • Resources to assist families and education providers with all of the above needs • Understanding backend processes • Access to up-to-date information on the law and rules 	<ul style="list-style-type: none"> • Not the first point of contact for families • May not be able to provide timely, accurate information

Principles of Customer Service

Families have a strong and emotional investment in their children's educational success, thus requiring program administrators to provide prompt and empathetic customer service. To steer the program staff's interactions effectively, program administrators should apply a set of principles to guide their approach to customer service. Below are a few principles to consider:





Family-Centric Approach: Family's needs and experiences are at the forefront.









- **Solutions to Meet Customers Where They Are:** Services are easily accessible to all families, regardless of their situations.
- **Timely and Accurate Information:** This is the cornerstone of commitment, ensuring families have the right information at the right time.
- **Transparency:** Processes are transparent to build trust and understanding among families.
- **Efficiency Without Compromise:** Processes are streamlined to reduce wait times and improve service delivery without sacrificing quality or care.

Customer Service Tools




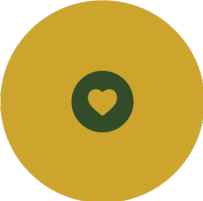







A wide variety of tools exist to enhance the program's support capabilities and ensure that it responds to the needs of customers. See the options below, which include both online and offline tools to cater to diverse family preferences and situations.

★ = must-have tools for every program




	 Handbook	Comprehensive guide specifically tailored for parents and education providers detailing all aspects of the program.
	Tutorials & Webinars	Interactive modules to provide real-time guidance and directly address questions on topics such as applications, account management, etc.
	Resource Library	Articles and recordings of tutorials and webinars for self-service help.
	 Telephone Hotline	Direct line to speak with a representative or parent advocate for immediate help, essential for addressing urgent inquiries and providing personalized support.

	 Email Support	Trackable and formal way for customers to request assistance, essential for handling complex issues that require thorough explanation or for participants who prefer written communication.
	Help Desk Ticketing System	System that allows customers to submit, track, and update their help requests online via website or portal.
	Mail Correspondence	An alternative for handling forms and official documents or for customers without digital access.
	Physical Office <i>(office hours or by appointment)</i>	Accessibility to participants.
	Social Media	Quick customer service and engagement.
	Live Chat	Real-time assistance via website or portal from a person or an AI tool that can provide automated responses. See section on artificial intelligence.
	FAQ <i>(frequently asked questions)</i>	Website or brochure with answers to common questions.

Implementation Effort

Low	Medium	High
		
		
		
		
		

Impact

 = Low  = Medium  = High

Customer Service Strategy

Purpose

The preceding section offered a guide for identifying customers and understanding their requirements. Expanding upon this groundwork, this section equips the program administrator with an outline to craft a thorough customer service strategy that is both supportive and effective, placing a strong emphasis on a user-centered experience.



Policies and Procedures

The first component of developing a customer service strategy is to set policies and procedures. When developing policies and procedures, incorporate the following:

Existing internal resources and systems can be utilized for these purposes, such as existing IT infrastructure, customer relationship management software, compliance and security systems and protocols, and relevant interdepartmental staff expertise.

Maintain an internal directory of communication channels

Define the various customer support service channels, such as telephone hotline, email support, live chat, social media, etc. (see Customer Service Tools). Include information for each, such as business hours and dedicated staffers.

Set quality assurance protocols

Equip all customer support channels with robust quality assurance protocols. For instance, implement call recording systems for telephone hotlines to maintain audio recordings of interactions. Similarly, electronic channels such as email and live chat should incorporate mechanisms to effectively track inquiry details and resolutions.

Establish issue resolution processes

Establish a standardized process for handling customer inquiries, complaints, and issues via the various customer support channels. Define escalation procedures for complex or unresolved issues, ensuring timely resolution and follow-up.

Communicate data security and privacy

Clearly communicate privacy policies and procedures for handling personal data to ensure compliance with data protection regulations.

Conduct account authentication

Utilize secure authentication methods such as multifactor authentication to verify the identity of account holders and authorized representatives to prevent unauthorized access to accounts.

Mitigate against conflicts of interest

Prohibit customer service staff from helping individuals with whom they have personal relationships or any activities that could confer unfair advantages.

Establish dispute resolution and appeals

Define transparent procedures for handling disputes between account holders and customer service staff, including avenues for appeals and formal resolution processes.

Provide accommodation

Ensure accessibility for individuals with disabilities and diverse linguistic backgrounds.

Benchmarks

Next, the program administrator should create benchmarks to measure quality. Examples of measurements to set benchmarks against include:

Customer Satisfaction: Average satisfaction levels of customers with the support services provided
(see the section *Customer Satisfaction Surveys*).

Information Quality: Accuracy, helpfulness, and relevancy of the response to the customers' questions.

Wait Time: Average time customers wait on hold before customer service staff answer an incoming call.

Handling Time: Average time it takes to handle customer inquiries or issues from initiation to resolution.

First-Contact Resolution: Percentage of customer inquiries or issues resolved during the initial contact with customer service staff.

Professionalism: Customer service staff's respect and consideration for customers.

Abandonment Rate: Percentage of customer inquiries or support requests that are abandoned or not resolved due to long wait times or dissatisfaction with service.

Accessibility Metrics: Metrics related to accessibility and accommodation for individuals with disabilities or diverse linguistic backgrounds.

Team Management Practices

The team of staff dedicated to customer service must be equipped with the necessary skills and expertise to deliver excellent support. Below is a checklist of team management practices to incorporate:

- ☐ Provide ongoing training on relevant topics such as program policies, communication skills, and conflict resolution techniques.
- ☐ Establish clear performance goals and metrics for customer service staff, aligned with the benchmarks.
- ☐ Streamline the process for escalating customer inquiries from staff to supervisor.
- ☐ Require supervisors to regularly review established quality assurance mechanisms, such as information tracking and audio recordings. Supervisors should use insights to provide staff with clear and timely feedback and coaching to improve performance.
- ☐ Analyze the workload percentage dedicated to responding to customer service inquiries in a calendar year, and adjust staffing as needed.
- ☐ Solicit feedback from customer service staff about their experiences, challenges, and suggestions for improvement.



Continuous Improvement

Incorporate methods for continuous improvement of customer service to reduce wait and handling times and improve quality of delivery. Below are a few recommendations to achieve this:

- Be responsive to advocacy partners' inquiries, as partners can relieve some of the workload because they work to directly assist families. Families usually approach advocacy partners for guidance, so program administrators should consider them customers.
- Monitor benchmarks to adjust customer service policies and procedures and improve customer service delivery.
- Incorporate customer feedback into proposed changes to law or rules governing the program.
- Map out the customer journey to identify touchpoints, pain points, and opportunities for improvement across the customer lifecycle in the program, from account setup to account management.

Artificial Intelligence

Purpose

A program administrator can leverage AI to enhance their customer service strategy in several ways, particularly through the implementation of AI-powered chatbots. This section provides examples of how to incorporate AI into the customer service strategy.



Enhancing an ESA Program With an AI Chatbot

Providing parents with accessible and interactive information is crucial. Static documents, such as parent handbooks, often contain essential details but can be overwhelming and difficult to navigate. Transforming these static documents into an AI chatbot can significantly enhance the experience, making it easier for parents to quickly and efficiently find the information they need. Here's how an AI chatbot can bring a parent handbook to life.

Benefits of an AI Chatbot

24/7 Accessibility: Unlike traditional support channels, an AI chatbot is available around the clock, allowing parents to access information whenever they need it.

Instant Responses: Chatbots can provide immediate answers to common questions, reducing the wait time for parents and improving their overall experience.

Personalized Interaction: By understanding the context of the user's queries, chatbots can offer tailored responses, making the interaction more relevant and useful.

Reduced Workload: By handling routine inquiries, chatbots can free up human staff to focus on more complex issues, increasing overall efficiency.

Language Translation: The English-only parent handbook can now be translated into nearly every language instantly with an AI chatbot.

How AI Chatbots Work

Creating an AI chatbot can seem daunting, but understanding its key components can simplify the process, even for a layman. By breaking down the chatbot into its essential elements—knowledge base, intents, entities, dialog management, natural language processing, and training and optimization—anyone can build a functional and effective chatbot. These components work together to enable the chatbot to understand, interpret, and accurately respond to user queries. With the help of no-code platforms, a layman can leverage these components to create a chatbot that brings static documents, like a parent handbook, to life, providing interactive and accessible information to users.

Chatbot Component	Description
Knowledge Base	The core repository of information that the chatbot uses to provide answers.
Intents	The goals or purposes behind a user's queries, enabling accurate and relevant responses.
Entities	Specific pieces of information within a user's query that help refine the chatbot's response.
Dialog Management	A guide to ensure smooth and coherent interaction through the conversation.
Natural Language Processing)	Technology that enables the chatbot to understand and interpret human language.
Training and Optimization	Continuous updating and refining of the chatbot's components to maintain effectiveness.

Implementing a Chatbot

To implement an AI chatbot for an ESA program, follow these steps:

Step 1

Choose a No-Code Platform

Select a user-friendly platform that requires no coding skills.

Step 2

Gather and Structure Content

Collect and organize the information you want your chatbot to provide (e.g., parent handbook, vendor platform instructions, program rules, FAQ).

Step 3

Define Intents and Entities

Identify the types of questions users will ask and the key terms they will use.

Step 4

Use Pre-built Templates and Flows

Utilize existing templates and customize the conversation flows.

Step 5

Integrate the Knowledge Base

Ensure all relevant content is accessible for the chatbot to reference.

Step 6

Test Your Chatbot

Simulate interactions to verify the chatbot's accuracy and effectiveness.

Step 7

Deploy and Monitor

Launch your chatbot, continuously observe its performance, and make improvements.

By transforming a static parent handbook into an interactive AI chatbot, ESA programs can provide parents with a more engaging and efficient way to access crucial information, ultimately enhancing their overall experience and support.

Explore Arizona's ESA Parent Handbook through our test chatbot built for parents at yeseverykidfoundation.org/esa-implementation-roadmap.



The integration of AI chatbots represents just the beginning of AI's transformative potential. As technology advances, AI is ushering in an era of unprecedented innovation and efficiency. Other areas of ESA programs in which AI will likely be implemented include financial management, compliance reporting, market trend analyses, and more.

As we explore the future, it's imperative to consider data security and the privacy implications that accompany AI's widespread adoption. AI can be made to keep data secure by implementing strong encryption, access controls, anonymization techniques, and regular monitoring to promptly detect and respond to security threats. By implementing these practices, we can harness the full potential of AI while safeguarding the privacy and integrity of those it serves.

Satisfaction Surveys

Purpose

This section provides examples of satisfaction surveys to gauge families' experiences during various stages of the ESA program and attain valuable feedback for improvement of the overall program.



Practical Example

When designing satisfaction surveys, program administrators can adhere to three steps: determining the various touchpoints during the program to administer the survey, crafting the survey questions, and selecting the survey format. The following section details these steps and provides illustrative examples.

Step 1

Begin by deciding the various stages of the ESA program when customers will be surveyed. Below are examples of instances when the program administrator might solicit feedback.

Application Completion: Integration of a survey at the conclusion of the application process or provision of a survey link when a family completes the ESA program application.

Account Setup: Survey emailed to parents upon verification of setting up an ESA account for their child.

Account Management: Survey incorporated into the process of allocating, or after families allocate, funds to cover educational expenses.

Telephone Hotline: Dial pad survey conducted following every call a family or education provider makes to request assistance.

Email Support: Survey link emailed at the conclusion of the resolution.

Help-Desk Ticketing System/Live Chat: Survey available either within the portal or at the end of the live chat session.

Annual Review: Annual survey to review overall satisfaction, experiences, and suggestions for program improvement.

Program Exit: An opportunity to gather feedback on the overall experience and reasons for discontinuation upon a family exiting the program.

Static Resources: General survey linked on static resources, such as the FAQ page, resource library, parent handbook, tutorials and webinars, physical office, and social media bio.

Step 2

Then decide the specific information you aim to acquire from customers. This will help formulate the questions. Below are examples of the questions program administrators might ask of families or education providers.

For Families

- How easy was it to apply to the program?
- How satisfied are you with the flexibility of funds for educational expenses?
- How satisfied are you with the ease of accessing and managing your account?
- How satisfied are you with the clarity of the program guidelines?
- How likely are you to recommend this program to other families?
- In what areas do you think the program could improve to better meet your needs?
- How satisfied are you with the transparency of fees and charges?
- How satisfied are you with the educational outcomes or opportunities provided through the program?
- How satisfied are you with the communication received from the program regarding updates or new features?
- How would you rate the professionalism and friendliness of staff?
- Were you able to reach the helpline easily when you needed assistance?
- How satisfied are you with the timeliness of the response or resolution provided?
- Did the agent provide clear and understandable information?
- Did the agent demonstrate knowledge about the ESA program and its policies?

For Education Providers

- How easy was it to become an approved education provider within the program?
- How satisfied are you with the reimbursement process through the program?
- How satisfied are you with the level of communication and support received from program administrators?
- How satisfied are you with the timeliness of payments or reimbursements for services provided?
- How satisfied are you with the flexibility offered by the program in terms of eligible educational expenses?
- How satisfied are you with the clarity of instructions provided for submitting invoices or documentation for reimbursement?
- How likely are you to recommend this education savings account program to other education providers?
- How satisfied are you with the level of administrative burden associated with participating in the program?
- How satisfied are you with the communication received from the program regarding updates or new features?

Step 3

After formulating the questions, select the format of the satisfaction survey. Surveys can come in various forms, each serving different purposes and offering unique insights into respondents' opinions and experiences. Below are examples of common formats that program administrators can utilize. An important factor to keep in mind is that the surveys should be simple to understand, swift to complete, and easy to submit.

**Open-Ended Questions**

Allows respondents to freely express their thoughts, opinions, and feedback without being constrained by predefined options. Open-ended questions can provide rich qualitative data but may be more time-consuming to analyze.

**Likert Scale**

Rating scale in which respondents indicate their level of agreement or disagreement with a statement, typically ranging from "Strongly Disagree" to "Strongly Agree" or from "Very Dissatisfied" to "Very Satisfied." Likert scales provide quantitative data and are easy to analyze.

**Multiple-Choice Questions**

Respondents select one or more options from a list of predefined choices. Multiple-choice questions offer a balance between structured data collection and respondent flexibility.

**Net Promoter Score**

This is a metric used to gauge customer satisfaction based on a single question: "How likely are you to recommend [product/service/company] to a friend or colleague?" Respondents typically select a rating from 0 to 10, sorting themselves as either promoters, passives, or detractors.

**Customer Effort Score**

This metric assesses the ease of a customer's experience with a product or service. It typically involves asking respondents to rate the ease of completing a task or resolving an issue on a scale, often from "Very Difficult" to "Very Easy."

Customer Service Case Study



Practical Example

Purpose

One effective approach to enhancing customer service and outreach is through peer-to-peer efforts. This case study examines Parents for Educational Freedom North Carolina (PEFNC) and its successful implementation of a Parent Liaison Team (PLT), which leverages the power of connecting families to empower them to make informed decisions regarding their educational choices.

Case Presentation

The North Carolina Opportunity Scholarship Program, which provides annual scholarships for tuition and fees at an eligible private school, was established by the General Assembly in 2013. The program has since undergone several updates and modifications, all of which were based on legislative actions and public feedback. North Carolina also offers a Children with Disabilities Grant program and an Education Savings Account program for children with disabilities. The goal of these programs is to provide additional educational options for students in North Carolina.

In 2023, the General Assembly passed a significant expansion of the Opportunity Scholarship Program, making all Tar Heel State K-12 families eligible. While eligibility is open to all students, the Opportunity Scholarship Program maintains its original intent, ensuring low-income families have priority for a scholarship. The award amount of the Opportunity Scholarship is determined based on a family's household income and is calculated as a percentage of per-pupil public school spending, ranging from \$3,000 to \$7,000 for the 2024-25 school year.

The ESA program is intended for students with special needs who seek to enroll in an eligible private or home school or have the flexibility of co-enrolling at a public school and a private or home school. The funding can be used for the costs associated with educating a child with a disability, including tuition, educational therapies, curricula, and other qualified expenses.

Recognizing the importance of parent outreach and supporting parents as they seek to enroll their child in a school, the state administering agency contracted with a third party, PEFNC, to fulfill this role. PEFNC is a nonprofit organization dedicated to supporting parents as they seek to find the best educational environments for their children. PEFNC's mission is to engage at the grassroots level, educate North Carolinians about educational options, and empower families to have a voice in their children's education.

Approach

To bolster outreach and assist families in navigating the various programs, PEFNC created the. Composed of parents experienced in utilizing education choice options, the PLT conducts grassroots outreach throughout North Carolina to inform parents about available education freedom programs.

Parent Liaison Team

Philosophy: The PLT approach is founded on the expertise and passion of existing scholarship families, utilizing their knowledge to serve others.

Impactful Efforts: Members of the PLT undertake various responsibilities to raise awareness and engage parents. Key activities include:

- Reaching out to families who have expressed interest in exploring alternative educational options.
- Conducting informational sessions with schools and parent groups to educate them about educational options.
- Helping families find an educational environment that best fits their children's needs.
- Assisting families through the application processes of various educational options.

Meaningful Messengers: Parents who have utilized scholarship options for their families have practical and relatable experiences that can be valuable for other parents interested in learning more about their family's options. Some parent liaisons have children who attend public charter schools, while others are enrolled in private schools using available scholarships. Each liaison possesses the experience needed to assist other parents in navigating these programs.

"As a parent liaison, I find this work important because of my experience with my two children. One of my children has a disability, and the other was having difficulties in the traditional setting, which just wasn't working for him. School choice options have greatly helped my family to really allow them to flourish. As a Parent Liaison, I want to make sure that other parents know that they have choice options and that they are not stuck in their assigned district."

— CHARLONDA, PLT MEMBER

"For me, I was out there in a sea by myself and didn't understand a lot [about the scholarships that were available]. I'm thankful I came across [the team at PEFNC]. [They have] been very helpful, answered a lot of questions, and helped me get [my child's scholarship]."

— ESA PARENT

Strength in Numbers: Fifteen parents are currently serving as official team members. Additionally, PEFNC reports more than 400 parent advocates have supported the PLT in a volunteer capacity by making family contacts, participating in media interviews and video campaigns, writing letters to the editor, attending events and school tours, or contacting legislators to share their perspectives on the impact of parental school choice on their lives.

Challenges: Finding the right individuals to become Parent Liaisons and ensuring they have the necessary tools and knowledge to assist families effectively can present challenges. Examples of such barriers that needed to be addressed include:

- Identifying liaisons with the necessary background, skills, and compassion who understand that the role is not just about customer service but about truly empowering families to find what is best for them.
- Selecting liaisons who are strategically located in different regions across the state and liaisons who have availability during weekdays, weekends, and evenings.
- Continuously adjusting to liaison training to ensure liaisons are up to date and fully understand the ever-changing educational landscape of the state, whether via the law or administrative rules.

Results

The impact of the PLT's efforts has been profound. it has reached thousands of parents to facilitate informed decision-making and increase parental involvement in education throughout North Carolina.

Scholarship Assistance



Since its inception, the PLT has contacted over 15,000 parents and made almost



30,000

connections through emails, phone calls and text messages.

Event Outreach

The PLT has reached out to over 5,000 parents with over



15,000

direct invitations to events to better inform families.

Impact by PLT Member

On average, each liaison...



reached 1,250 parents



and made 7,600 direct connections

Looking Ahead

As North Carolina's choice programs continue to change and evolve, PEFNC is committed to expanding, empowering, and training its PLT. Through peer-to-peer support and personalized outreach, PEFNC is well positioned to raise awareness, promote participation, and offer essential choice options to parents and families throughout the state, instilling a sense of hope for the future.



Chapter 4:

Vendor Selection & Management

Introduction

Most state agencies tasked with administering an ESA program will procure a vendor to manage one or multiple components of the program, whether that be to manage a financial framework, process applications, or undertake auditing of accounts. To ensure the vendor meets the administering agency's needs and standards, a well-rounded procurement process is key to identifying and selecting a qualified vendor. This chapter highlights recommendations for procuring a vendor, establishing a successful agency-vendor relationship, and managing the vendor. This section contains information designed to serve as a practical guide through the vendor selection and management process. In addition, the yes. every kid. foundation. implementation team has expert consultants available to collaborate with agency partners to navigate this process. These services are free, solution-agnostic, and designed to put families first and allow a thriving marketplace of learning opportunities for all kids.



Review Statutory Requirements

- Examine the statutory landscape to ascertain if outsourcing is allowed or mandated and if funds are appropriated for this purpose.
- Identify the specific responsibilities and scope of work under each area, such as application processing, financial oversight, expense management, compliance and reporting, and information communication, and assess if any of these areas necessitate outsourcing.



Procurement Process

Procurement is fundamentally a market discovery process. To that end, program administrators should introduce a multistep procurement process that begins by prequalifying vendors and engaging them in a back-and-forth information-gathering phase through intermediate "requests for information" (RFIs).

After this information-gathering phase, the next step involves developing and releasing "requests for proposal" (RFPs). A well-crafted RFP ensures that the right vendors are selected and equipped with the necessary capabilities and expertise to meet the program's objectives.

This chapter will provide guidance for every step in the procurement process.



*Only when a program administrator must transition to a new vendor.

Request for Information Design Guide

Purpose

The role of RFIs is to conduct market research to assess the landscape of available offerings, industry standards, and innovations, which can be used to refine the scope of work ahead of issuing a formal solicitation. This section provides a framework for program administrator costs and procurement officers to follow when designing RFIs.



RFI Design Guide

In situations for which the service to be provided is new or unusual, carries high operational risk, has high demand and visibility, or is prone to rapid technological innovation, the use of RFIs is highly beneficial. Implementing a new ESA program involves all of these challenges, making RFIs an important consideration.

The primary goals of RFIs are twofold: for the state agency to furnish potential vendors with detailed information regarding its expectations and for the state agency to gather comprehensive details about the vendors and their offerings. This facilitates the preparation of a well-defined RFP and enables vendors to provide pertinent responses. The outline below provides a template program administrators can use to design the RFI.

Section	Contents
Introduction	<p>This section should outline the objectives of the RFI, providing context to potential vendors on what is being sought:</p> <ul style="list-style-type: none">• Purpose of RFI• RFI timeline• Anticipated RFP dates
Background	<p>This section should offer contextual details for vendors to understand the ESA program:</p> <ul style="list-style-type: none">• Statutory and regulatory background• Information about the administering agency• Expected volume of participants• If necessary, information about other participating agencies• If the ESA program is already live:<ul style="list-style-type: none">◦ Historical perspective◦ Key data (enrollment, demographics, funding, etc.)◦ Current functionality and features◦ Current impact and challenges

Program Goals & Needs	<p>This section should outline the operational and technical aspects necessary for successful program implementation. Define the vendor's responsibilities, which may include:</p> <ul style="list-style-type: none">• Determining eligibility and processing applications• Marketing the program• Managing a financial framework• Providing training and technical assistance to users (e.g., administering agency staff, parents, education service providers)• Reporting on program metrics• Auditing accounts and payments
Questions & Answers	<p>This section requires vendors to provide responses pertaining to their offerings. Ensure each question is specific, providing enough detail for vendors to provide comprehensive responses:</p> <ul style="list-style-type: none">• Experience, providing examples of past and current work with similar programs or industries, such as financial services or government assistance programs• Overview of software (e.g., user interface and user experience)• Cloud and data security/privacy• Eligibility verification automation capabilities• Implementation methodology• Timeline for developing, implementing, and maintaining the proposed solution• Communication methods and tools• Tracking/reporting systems• Customer support services• Training• Compliance• Scalability, in case of program expansion or merger• Projected cost information for design, customization, execution, and maintenance (categorized by number of students, licenses required, etc.)• Subcontractor use• References from clients
Instructions	<p>This section should provide guidance on the RFI process:</p> <ul style="list-style-type: none">• Response submission instructions• Vendor questions and inquiry process• Clarifications and discussions process

Appendix

The appendix should assist vendors in preparing their responses and understanding the program requirements in greater detail:

- Statutory references
- Supplementary information
 - State's educational landscape
 - Administering agency/program budget
- Sample contract
- Template for questions and answers
- Template for cost information breakdown
- Terms and conditions
- Confidentiality statement

Request for Proposal Design Guide

Purpose

After concluding the RFI process, the program administrator and procurement team should possess ample information to issue a formal solicitation. This section offers a guideline for program administrators and procurement officers to structure an RFP focused on achieving specific outcomes, known as a performance-based RFP.



RFP Design Guide

Program administrators should be cautious to avoid drafting RFPs that merely solicit existing known solutions. Instead, program administrators should design RFPs with their states' ESA program objectives in mind, leveraging the RFP process to attract innovative proposals aligned with their visions and performance expectations.

A performance-based RFP is structured to prioritize outcomes and results over prescriptive methods, empowering vendors to propose innovative approaches that align with program objectives and foster continuous improvement. Additionally, an RFP can also set the tone for a strong agency-vendor partnership characterized by collaboration, consistent communication, and transparency, all conducive to delivering high-quality services to end users. The outline below provides a template program administrators can use to design a well-crafted RFP.

Section	Contents
Introduction	<p>This section should outline the objectives of the RFP, providing context to potential vendors on what is being sought:</p> <ul style="list-style-type: none">• Purpose of RFP• RFP timeline and due date
Background	<p>This section should offer contextual details for vendors to understand the ESA program:</p> <ul style="list-style-type: none">• Statutory and regulatory background• Information about the administering agency• If necessary, information about other participating agencies• Information on a preexisting ESA program, if necessary:<ul style="list-style-type: none">◦ Historical perspective◦ Key data (enrollment, demographics, funding, etc.)◦ Current functionality and features

Definitions	This section should clarify terms and acronyms to ensure all stakeholders understand the requirements.
Scope of Work	<p>This section should detail the requirements and deliverables so that vendors can understand the full extent of their responsibilities. This may include:</p> <ul style="list-style-type: none"> • An online platform, including a web-based, mobile portal and/or a phone-based application for use by applicants, awardees, the program administrator, and education providers • Application processing, with the ability to automate identity and eligibility verification • Data privacy and security, including: <ul style="list-style-type: none"> ◦ Robust authentication mechanisms, such as multifactor authentication for user accounts ◦ Encryption to protect against unauthorized access ◦ Regular data backups and disaster recovery procedures to prevent data loss and ensure continuity of service • Communications and marketing of the program • Customization options for the program administrator to tailor account features, settings, and branding to align with program requirements and branding guidelines • Use of APIs to enable integration with third-party applications for eligibility verification or financial management • A notification system for users to receive notifications about account activities, such as payments, reimbursements, and important deadlines • Training for users, including state agency staff and providers operating the fiscal management system, including: <ul style="list-style-type: none"> ◦ Providing users with a financial framework for direct payment where funds can be securely stored and managed ◦ Providing users with a reimbursement option directly through the platform • Dashboards that report on program metrics and are customizable by the user, including a dashboard for administrators and users, displaying account balances, payment status, and transaction history • Easy-to-access and on-demand customer service and technical support for participating families, education providers, and the program administrator • Mechanisms for gathering feedback from stakeholders to inform program refinements • Language accessibility to meet state population needs Accessibility compliance to ensure usability for users with disabilities • Financial monitoring and reviews of account activity • Risk management and contingency plans to address potential challenges or disruptions during the implementation and operation of the program • Performance monitoring and reporting that defines key performance indicators and reporting requirements to track the program's progress and measure success

Contract Phases & Management	<p>This section should outline the stages of the contract lifecycle and define responsibilities, performance metrics, and compliance measures for both the agency and the vendor. It should establish clear processes for contract management, including monitoring performance, addressing changes, and ensuring adherence to contractual terms and regulatory requirements. Phases may include the following:</p> <ul style="list-style-type: none"> • Customization/configuration phase: Planning and documentation, including the contract work plan, functional design, security plan, backup and recovery plan, system integration and quality review plan, user acceptance and demonstration plans, implementation and transition plans, and risk management plans. • Development phase: System development, configuration, and testing based on specifications agreed upon during the customization phase. • Testing phase: Validation of platform functionality, performance, and security through formal testing procedures. • Operating phase: Program launch, performance and security monitoring, and ongoing system maintenance.
Service-Level Agreements	<p>This section should define specific performance expectations and metrics that vendors must meet, such as response times and quality standards. This ensures transparency, accountability, and alignment with the ESA program's objectives, establishing clear guidelines for monitoring and enforcing service levels throughout the contract duration. This section should also ask vendors to explain how they will track these metrics and demonstrate their capabilities to fulfill these requirements. This may include:</p> <ul style="list-style-type: none"> • Application processing according to a specified timeframe • Eligibility determination accuracy • Response times to family inquiries • Compliance with regulations • Transparency in financial reporting • Detection and resolution of fraud • Meeting stakeholder satisfaction benchmarks
Evaluation Rubric	<p>This section should outline criteria and processes for assessing vendor proposals, including clear guidelines for scoring and ranking based on factors like qualifications, approach, and cost:</p> <ul style="list-style-type: none"> • Define evaluation criteria. • Establish weighting and scoring. • Detail the evaluation process, including committee information and a timeline. • Offer guidance for clarifications or negotiations. • Define bonus points for competitive priorities that go beyond the basic requirements to encourage vendors to propose innovative solutions and methodologies that enhance program effectiveness and efficiency and the user experience. • Provide information for interviews, presentations, or demonstrations.

Instructions	<p>This section should provide concise guidelines for potential vendors on how to format, submit, and comply with proposal requirements:</p> <ul style="list-style-type: none">• Response submission instructions• Vendor questions and inquiry process• Clarifications and discussions process• Contact information
Appendix	<p>This section should house supporting documents, forms, templates, and background information essential for potential vendors to understand and respond to the solicitation accurately:</p> <ul style="list-style-type: none">• Statutory references• Supplementary information:<ul style="list-style-type: none">◦ State's educational landscape◦ Administering agency/program budget◦ Predicted enrollment in the program• Template for questions and answers• Template to break down cost information:<ul style="list-style-type: none">◦ Costs should be transparent.◦ Beyond costs to the agency, vendors should be asked to provide any costs that will be passed on to users, including account holders and education service providers.• Terms and conditions• Protest policy• Confidentiality statement

Request for Proposals Design Best Practices

Purpose

This section highlights RFP design best practices from states that have implemented ESA programs or ESA microgrant programs. Program administrators can consider incorporating these best practices into the RFP process of their own ESA programs.



Practical Example



Idaho

Program	Empowering Parents Grant Program Administration
Topic	Software Demonstration
Practice	The Idaho State Board of Education reserved the right to request the apparent successful bidder to provide a demonstration to confirm the software worked as the vendor specified.
<p><i>Idaho's Request for Quote (RFQ) RFQ2023175 Empowering Parents Grant Program Administration, issued on July 25, 2022, selected language:</i></p> <p>"The Board Office reserves the right to request the apparent successful bidder to provide a demonstration (live or recorded) to confirm that the software works as specified. This demonstration will be evaluated on a pass/fail basis."</p>	



Kansas

Program	Learning Recovery Grant Program
Topic	Marketing
Practice	The Kansas Office of Recovery made its vendor responsible for marketing, including a comprehensive multimedia communications plan and a statewide engagement plan involving media, social media marketing, and other innovative and creative methods to engage eligible families and recruit education providers.

Kansas RFP EVT0008639 Learning Recovery Grant Program, issued on June 19, 2022, selected language:

“Respondents should include a comprehensive multimedia communications plan to engage students, families, educators, and vendors. Statewide communication and public engagement involving media services, social media marketing, and other innovative and creative methods should be utilized to engage eligible students and to recruit educators and vendors.”



Ohio

Program	Afterschool Child Enrichment Educational Savings Account Program								
Topic	Innovation								
Practice	The Ohio Department of Education structured its RFP rubric to give vendors bonus points for creating a plan to develop a free smartphone application for participating families that included features to scan and upload receipts and provide customer service to troubleshoot technical issues with the application.								
<p><i>Ohio Afterschool Child Enrichment (ACE) Educational Savings Account Program Solicitation Worksheet, issued in January 2022, selected language:</i></p> <p>“The department shall contract with an Offeror for purposes of administering the provisions of this section and may contract with the Treasurer of State for technical assistance. In selecting an Offeror, the department shall give preference to those Offerors who use a smartphone application that is free for parents or guardians to use, is capable of scanning receipts, allows users to provide program feedback, and includes customer service contact information for parents and guardians who experience technical issues with the application.”</p> <table> <tr> <th>Additional Points</th><th>Weight</th></tr> <tr> <td>Include a plan to offer parents or guardians use of a smartphone application free of charge.</td><td>5</td></tr> <tr> <td>Include a plan to offer parents or guardians use of a smartphone application that possesses the ability to scan and upload receipts.</td><td>5</td></tr> <tr> <td>Include a plan to provide parents or guardians customer service contact information when experiencing technical issues with the application.</td><td>5</td></tr> </table>		Additional Points	Weight	Include a plan to offer parents or guardians use of a smartphone application free of charge.	5	Include a plan to offer parents or guardians use of a smartphone application that possesses the ability to scan and upload receipts.	5	Include a plan to provide parents or guardians customer service contact information when experiencing technical issues with the application.	5
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Virginia

Program	K-12 Learning Recovery Grant
Topic	Product demonstration and contingency planning
Practice	The Virginia Department of Education required demonstrations

The Virginia Department of Education required the selected vendor to prepare a final acceptance and demonstration plan and specified demonstrated tests, including batch processing, system security and user access, user inquiries, client additions and updates, benefit issuance, status change and replacement, transaction history review, system audit and control, system backup and recovery, and reporting. The Virginia Department of Education also required vendors to include an issue resolution process.

The Virginia Department of Education made its selected vendor prepare implementation and transition plans that covered state and local staff system access, including timing of the switchover; a toll-free call center, including timing of the switchover; a change and risk management process; and processes to resolve unforeseen issues, including contingency plans.

Virginia RFP-PR9894735-2022: Managed Service to Support K-12 Learning Recovery Grants Payments, issued on November 2, 2022.

Relating to product demonstration:

Required system tests and demonstrations, which shall be conducted by the Contractor during the Development Phase, include the following items for the system. VITA may require additional demonstrations depending on the risk level a conversion might present:

- Functional Demonstration - The functional demonstrations shall provide VDOE the opportunity to review and observe planned system operations. The Contractor shall prepare a report of the demonstration results including any system modifications that were identified. The Functional Demonstrations should occur within the timeframe detailed in the approved plan. The demonstrations shall take place at the VDOE home office in Richmond.

Relating to contingency planning:

The Contractor shall prepare a plan that covers each of the following activities in detail:

- State and local staff system access, including timing of switchover;
- Toll-free call center, including timing of switchover;
- Change and risk management process; and

The plan shall address how the processes shall be tested and contingency plans for problems and issues that may occur during the implementation. The Contractor shall submit the final Transition Plan no later than four (4) months after contract signing.



Arkansas

Program	Children's Educational Freedom Account Program
Topic	Performance Standards
Practice	The Arkansas Department of Education included incentives/penalties for not meeting deadlines or service levels and key performance indicators.
<i>Arkansas RFP S000000284 Online Platform for Education Freedom Accounts and Literacy Tutoring Programs, issued on December 15, 2023.</i>	

Performance Standards

- State law requires that qualifying contracts for services include Performance Standards for measuring the overall quality of services that a Contractor shall provide.
- The State may be open to negotiations of Performance Standards prior to contract award, prior to the commencement of services, or at times throughout the contract duration.
- Performance Standards shall not be amended unless they are agreed to in writing and signed by the parties.
- Failure to meet the minimum Performance Standards as specified will result in the assessment of damages.
- In the event a Performance Standard is not met, the Contractor will have the opportunity to defend or respond to the insufficiency. The State has the right to waive damages if it determines there were extenuating factors beyond the control of the Contractor that hindered the performance of services. In these instances, the State has final determination of the performance acceptability.
- Should any compensation be owed to the Department due to the assessment of damages, Contractor shall follow the direction of the Department regarding the required compensation process.

Evaluation and Selection

Purpose

Although administering agencies and their procurement officers will follow the procurement process in accordance with state procurement laws and processes, this section aims to provide best practices to implement when evaluating and selecting vendors specifically for an ESA program.



Execute

Evaluation Committee

The composition of the evaluation committee should be tailored to each procurement, particularly given the specialized requirements of ESA programs. It is essential for the administering agency and procurement team to select reviewers with specific expertise, such as user interaction and experience, financial and state data systems, cybersecurity, and platform maintenance and design.

If your state permits external experts to serve on the evaluation committee, consider involving engaged and impartial parents, providers, and top education specialists to ensure comprehensive representation of stakeholders.

Committee recruitment should include internal technology leads from within the agency or qualified external experts who comprehend the objectives of ESA programs and the state's goals.

Evaluation Preparation

Additionally, the committee should undergo training before evaluating proposals. The training should give the committee a full understanding of its roles and responsibilities. Additionally, the committee should understand the significance of performance-based evaluation criteria in selecting vendors for the ESA program.

By focusing on evaluating respondents based on their ability to achieve outcomes specific to the ESA program, the committee optimizes its time and efforts toward selecting a vendor(s) who can best achieve the outcomes.

Evaluation Rubric

The evaluation rubric should be designed to assess proposals comprehensively, ensuring that all critical aspects of the vendor's solution are considered. The rubric should include categories such as technical capabilities, the project management approach, cost-effectiveness, and alignment with the ESA program's objectives. Each category should have clear criteria and weightings that reflect the program's priorities and goals.

An effective rubric balances quantitative metrics with qualitative assessments to ensure a holistic evaluation of each proposal. Clear, consistent scoring guidelines help the committee make objective comparisons and justify their final decisions.

Selection

Vendor selection should depend on the vendor's ability to demonstrate it can fulfill what it committed to in its response. State agencies that incorporate a product demonstration into the process gain a more dynamic, comprehensive understanding of the technical merits, potential issues with, and usability of each vendor's solution.

Seeking a narrative description of how the prospective vendor will implement the platform helps paint a picture; however, requiring a demonstration and visuals will allow the evaluation committee to better understand project implementation, the dedication of the vendor, and the solution functionality.

Vendor Management Guide

Purpose

Once a vendor has been selected and the contract has been executed, it's time to put plans into action. This section provides an overview of what to expect when designating and managing an ESA vendor.



Support

A program administrator's responsibility includes ensuring vendors deliver products and meet performance standards. Creating and following a vendor management plan is crucial to this process. Any lapse in communication can adversely affect the agency-vendor relationship and, ultimately, families participating in the ESA program. The below offers program administrators a checklist of best practices tailored for ESA vendors. Implementing these recommendations enables program administrators to effectively manage vendors, thereby enhancing performance outcomes for ESA programs and their participants.

Designate a Vendor Manager

- Assign an internal vendor manager to oversee the vendor relationship and ensure accountability.
- Clearly define roles and responsibilities for the vendor and the organization.

Establish Clear Communication Channels

- Establish expectations and processes for regular and transparent communication with the vendor through meetings, reports, and updates. Given that a vendor's point of contact may be located out of state, it's essential to consider this when coordinating communication efforts.
- Program users and stakeholders frequently seek information directly from the vendor. It's crucial to ensure that the agency-vendor relationship has open lines of communication and follows a defined protocol when engaging with external stakeholders. This proactive approach fosters trust and clarity in all communications.

Evaluate Performance and Provide Feedback Regularly

- Program administrators should implement a structured monitoring framework to track vendor performance against agreed-upon benchmarks and contractual obligations and then use evaluation findings to offer constructive feedback to the vendor and inform strategic decisions, including contract renewal, extension, or termination.

Address Issues and Resolve Disputes Promptly

- Program administrators should establish procedures for addressing and resolving issues or disputes that may arise during the contract. Collaborate with the vendor to facilitate quick resolution and mitigate potential impacts on program operations.

Adapt to Changing Needs and Requirements

- Program administrators will hear feedback from a range of stakeholders, including families, education providers, policymakers, and advocacy groups, regarding issues and needed fixes. When this involves the vendor, the program administrator should update the contract as necessary to reflect changes in scope, deliverables, or performance expectations.
- ESA program vendors often manage or assist with ESA programs across multiple states, giving them insights into unique solutions for addressing common challenges faced by ESA program administrators. It should be standard practice to regularly consult vendors about potential improvements that could be implemented, whether within their control or within the jurisdiction of the state agency, to enhance the program.

Vendor Transition Recommendations

Purpose

Program administrators may need to transition to a new vendor upon contract expiration or termination. This section provides considerations for program administrators attempting a successful vendor transition.



Support

An RFP should include a provision that if a vendor becomes unable to fulfill its responsibilities for any reason or if its contract expires, it is required to ensure a seamless transfer of services. Still, there are potential risks that program administrators should consider, including data transfer issues.

Utah emphasized the importance of a continuity-of-service plan in the event of a transition: "Per Utah Code Annotated § 53F-6-404, you must ensure a smooth, uninterrupted transition (continuity of service plan) of services to USBE [Utah State Board of Education] should you be unable to continue serving as the program manager for any reason or your contract ends. You must detail what systems you will use and procedures you will follow to support this process in the Technical Evaluation Criteria."

Data Transfer

If not already included in the existing contract, a memorandum of understanding should be developed to specify the data elements that need to be transferred, the timeline for delivering the data, the format of the data, the method of delivery, collaboration between vendors, and any additional expectations of the administering agency. This well-defined process, including responsibilities and deadlines, will aid transparency and accuracy.

Risk: Discrepancies in the data during the transfer process



Mitigation: To ensure data is accurate, the outgoing and incoming vendors must work closely to develop systems, document data, and update the administering agency on the transfer process while adhering to deadlines and checkpoints along the way.

Risk: Poor data security when transitioning from a legacy to a new system



Mitigation: Document a plan to ensure the secure transfer of all data, including personally identifying information (PII) and financial data, through safe channels. Additionally, all parties whose data will be transferred should be notified in advance. The administering agency should collaborate with its legal team to determine effects or possible opt out for impacted parties.

Risk: New data potentially overwriting or duplicating a previous data transfer



Mitigation: Establish a "quiet period" during which the old system is deactivated before the new system is launched. This will prevent the old vendor from creating any new data that may conflict with already transferred data.

Change Management

Creation of a comprehensive change management plan is necessary to inform affected parties, including families and education providers. Families participating in the program are likely to be concerned about how the transition to a new system will affect access to the program. Similarly, education providers will ask how this transition will impact payment processing and timelines. Therefore, consistent information and customer service support are essential.

Risk: Inconsistent messaging from varying sources provided to affected parties



Mitigation: There should be a single source of truth for families and education providers to reference. Whether that be the administering agency, the incoming vendor, or another partner, one entity needs to own the messaging. Communication throughout the transition must be clear, accurate, and consistent.

Risk: Lack of customer support and training before and during the transition



Mitigation: Customer support should go live before the new system is launched. This will give families and education providers access to knowledgeable representatives who can answer questions prior to and assist throughout the transition. These representatives can assist impacted parties early and often via online videos, webinars, in-person seminars, and thorough documentation, all designed to match the end-user experience.

Project Planning

To ensure a seamless transition, it is crucial to rely on a project plan that lists all the project deliverables and responsible parties, sets deadlines, and identifies any potential obstacles. This level of transparency will enable the administering agency to hold the new vendor accountable for all the work required before the launch date.

Risk: Lack of contingency planning



Mitigation: As roadblocks or challenges arise, the administering agency and the incoming vendor should maintain a risk registry, including contingency proposals. Before using any contingency plans, the administering agency must sign off, and a re-prioritization of work and resources should be considered. This will allow for proactive discussions about any adjustments to the work and the resources needed to meet the launch timeline.

Risk: Product is not customized to the state's program

Mitigation: The administering agency should conduct a walk-through of the features and functionality of the new system to ensure all customizations and adjustments are delivered. This includes verbiage updates, theme or color updates, business rules and workflow adjustments, and/or system notifications. When possible, the incoming vendor should conduct beta testing, collect feedback and make necessary changes prior to launch.



Chapter 5:

Program Integrity

Introduction

Integrity ensures that a program operates effectively and transparently, with accurate use of funds, adherence to regulations, and delivery of quality services, while preventing fraud, waste, and abuse. Program integrity is far more than just fraud prevention—it's the backbone of a well-functioning program. It ensures that public resources are spent correctly, from accurately determining eligibility and setting appropriate payment amounts to delivering high-quality services and providing essential training for staff and beneficiaries to prevent improper payments. A comprehensive approach to program integrity includes systems and processes for payment integrity, internal controls, risk management, and improper payment prevention.

This chapter outlines the role of program integrity in administering ESA programs. It emphasizes best practices in risk management and the importance of quality assurance mechanisms based on industry standards. Designed for program administrators and policymakers, this chapter serves as a resource for designing an organizationally sound program environment that works for families.



Approaches to Design

ESA programs are fundamentally like other large government programs in that they aim to allocate public funds to achieve specific policy goals—in this case, providing families with greater flexibility in their educational choices. Given their similarities to other government-funded initiatives, ESA programs should be administered using established best practices for auditing and oversight to ensure they operate efficiently, transparently, and accountably.

Balancing Risk With Functionality

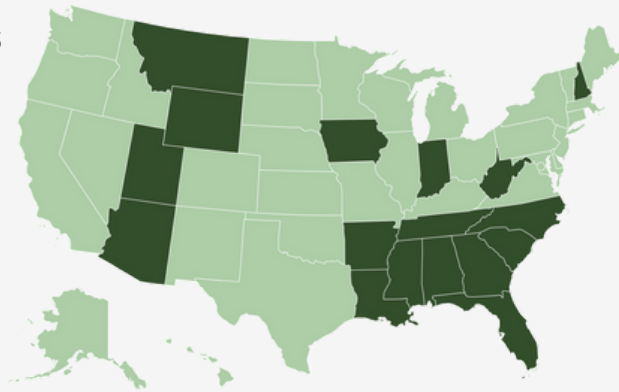
ESA programs offer families the opportunity to curate their children's K-12 education with a portion of their children's state education funds. This funding empowers families to purchase education-related goods and services, enabling them to tailor every aspect of learning to their children's interests and needs. With this approach, families can customize curricula, choose supplemental materials, and facilitate learning in diverse environments. However, this shift in control over education funds creates a dynamic tension between state oversight and parental autonomy, raising the question: Who's in charge? Balancing the state's responsibility to manage the program within a regulatory framework and parents' right to pursue innovative educational methods requires careful planning and is essential for the program's success.

ESA Programs in the United States

17 states serving more than 500K students

More than 40% growth year over year

*Expanded more rapidly after COVID-19,
following widespread school closures*



Expansion & Clampdown

The rapid expansion of ESA programs has commonly resulted in caseloads that surpass the sophistication of current scaling solutions and tools, resulting in heightened scrutiny on the quality and fidelity of program implementation.

Low risk tolerance among administrators, providers, and families, coupled with the fear of negative headlines, has led states to enforce rigorous oversight measures. The lack of capacity in government entities to implement new systems effectively, alongside a lack of commonly accepted definitions of educational goods and services, has resulted in convoluted and inconsistent policies. This environment is exacerbated by the absence of clear guidelines and the ongoing disagreement about what constitutes successful outcomes.

Consequently, many states have reverted to traditional regulatory frameworks, focusing on accreditation and credentials and employing conventional measures of success such as test scores and standards. These actions, intended to ensure accountability, have instead created a burdensome landscape for parents, overshadowing the intended flexibility and autonomy that ESA programs were supposed to offer.

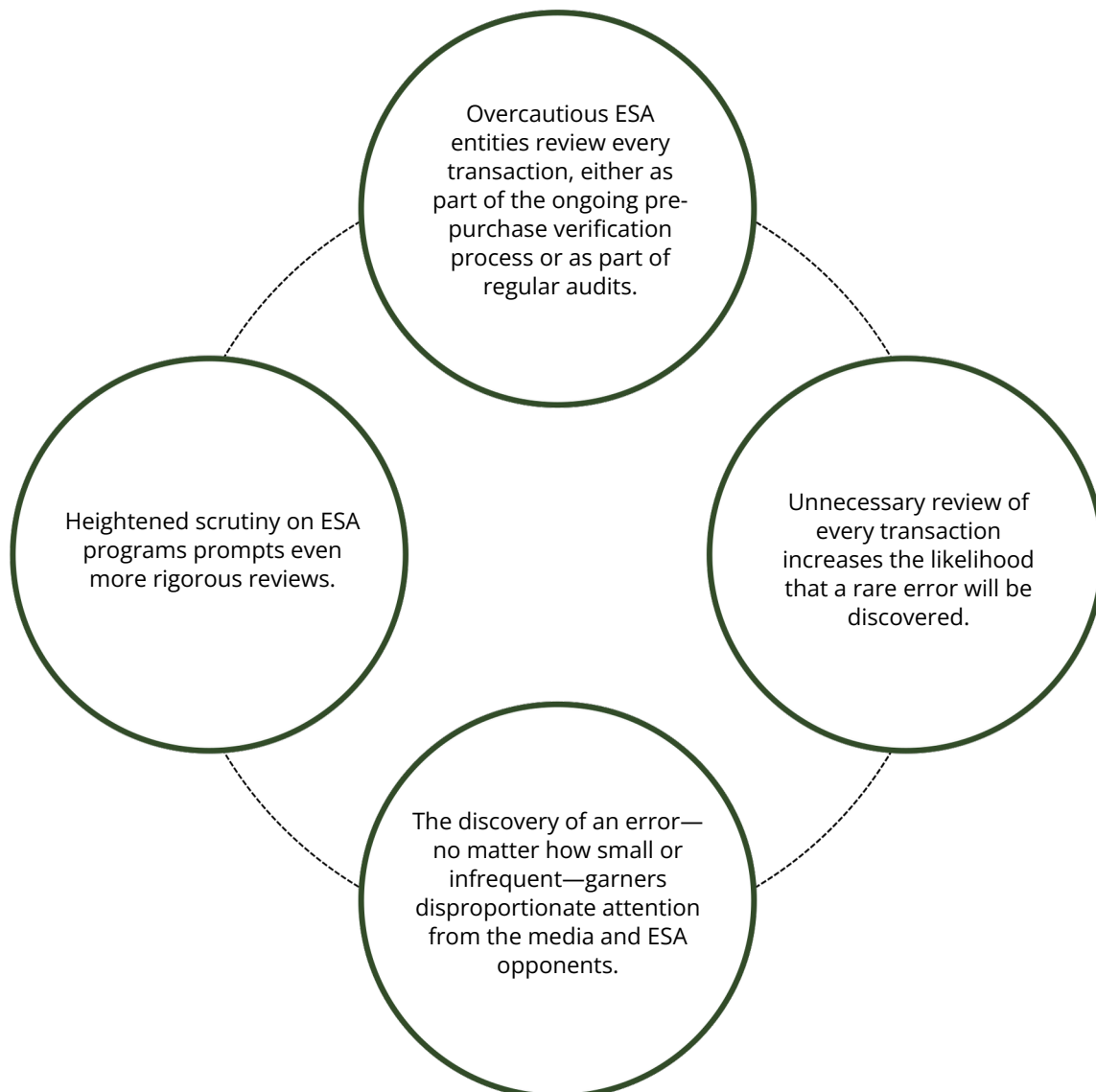
Interestingly, many states have shifted away from traditional audit practices, even those that are statutorily outlined, and have instead adopted a manual approval process for every expense, regardless of size. This approach involves scrutinizing each transaction individually, aiming to ensure compliance and prevent misuse, but it significantly increases the administrative burden and can slow down the approval process.

“A fundamental tension exists between controlling fraud and optimizing customer experience, because tighter fraud and customer protection controls often add friction to the customer experience.”

– “A new approach to fighting fraud while enhancing customer experience.” McKinsey & Company (2022).

Uncertainty of Allowable Uses Often Misrepresented as Fraud

The uncertainty surrounding the allowable uses of ESA funds often leads to misrepresentations of misuse or fraud. Due to the lack of a commonly accepted definition of educational goods and services, parents and administrators frequently find themselves navigating unclear policies. This ambiguity can result in expenditures being flagged as fraudulent when they stem from misunderstandings or differing interpretations of the rules. The fear of negative headlines and low risk tolerance among program stakeholders exacerbates this issue, making it crucial to establish clear, consistent policies to prevent mischaracterizations of legitimate expenses.



Consequences of This Approach

Restricted Marketplace: In all states, families are limited in how they can access their scholarship funds to make purchases through closed marketplaces of approved merchants, providers, goods, and services.

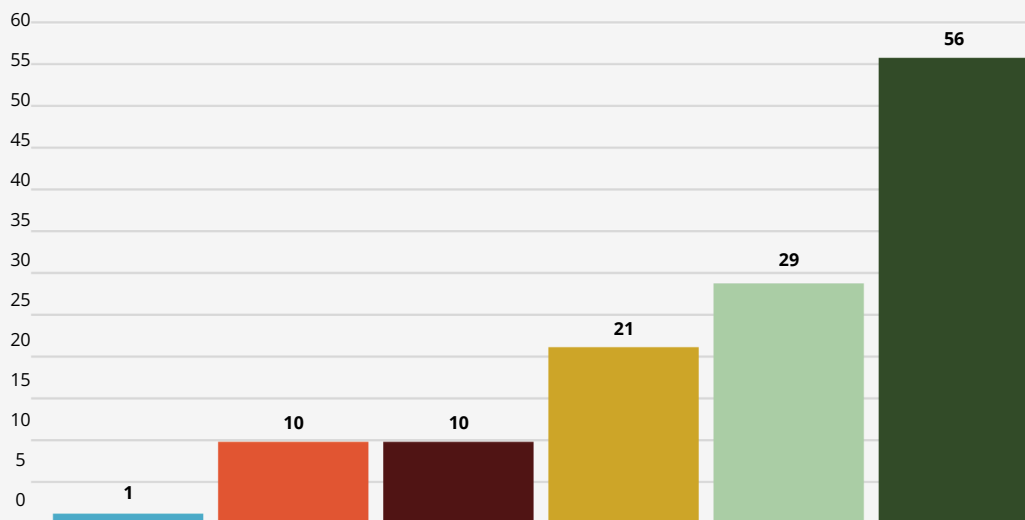
Restricted Access to Lawful Expenses: Despite a broad and growing market of education, because too few education providers are approved to participate in the program, families cannot always purchase the goods and services they want.

Delayed Payments to Families and Providers: The prevailing approach of scrutinizing each expenditure in the scholarship program places an excessive burden on families, causing frustration and hindering their ability to navigate the ESA program smoothly.

Average Payment & Reimbursement Times for Arizona State Programs

In general, comparable programs provide refunds or payments to taxpayers faster than the ESA program, which can take from 12 to 29 days.

■ SNAP ■ Medicaid Prior Authorization ■ AZ ESA Reimbursements (FY2023 Q3)
■ Unemployment Insurance Benefits ■ Federal Income Tax Refunds ■ AZ State Income Tax Refunds



Days From Application to Payment/Reimbursement

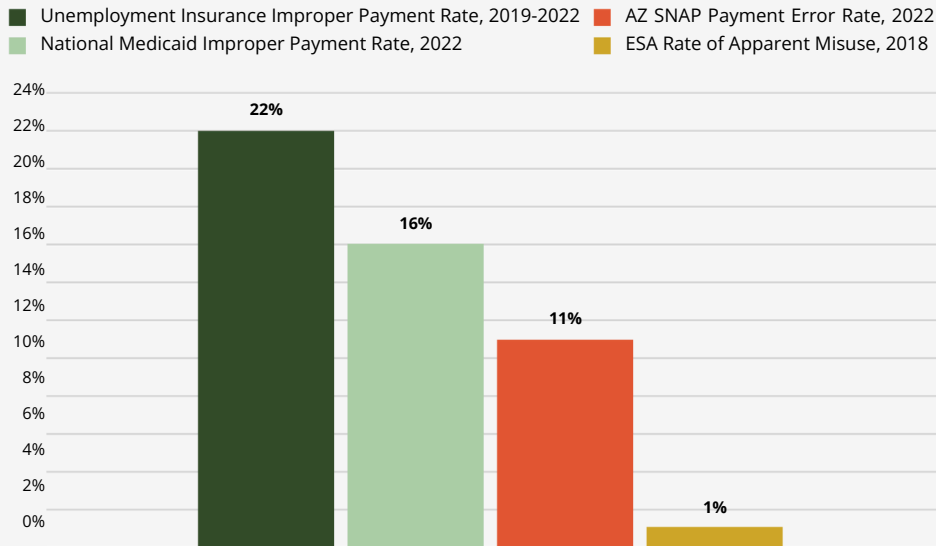
Source: AZ Dept. of Revenue, AZ Dept. of Economic Security, AZ Dept. of Education • ESA reimbursement times are sourced from the Dept. of Education's two most recent ESA Quarterly Reports. The Q3 value is a weighted average of reimbursed and rejected processing times.

Summary:

- **Low Rates of Misuse in ESA Programs:** Improper payment rates in the Arizona ESA program are a fraction of those in other government programs like Medicaid, Unemployment Insurance, and SNAP.
- **More Rigorous Reviews:** Generally, the accountability standards used to track expenditures of ESA funds are stricter and more onerous than those used in comparable programs.
- **Higher Program Integrity:** Despite more rigorous reviews—which one might expect to uncover more problematic transactions—ESA programs tend to have greater program integrity than major government programs.

Improper Payment Rates

While national Medicaid/Medicare improper payment rates and Arizona SNAP Payment Error Rates have been decreasing, there is still some level of misuse tolerated in these programs.



Source: AZ Auditor General, U.S. Department of Agriculture, Center for Medicare & Medicaid Services

Findings From Other Public Benefit Programs

Balancing Benefit Targeting and Benefit Delivery Costs

Program	Benefit Targeting and Program Complexity	Administrative Costs (cents per benefit dollar)	Overpayments (cents per benefit dollar)	Recipient Burden	Participation Rates (percent eligible)
Food Stamps	High	15.8	4.5	High burden	65, 59**
Medicaid	High	5.1	May be large	High burden	66-70
Supplemental Security Income	Moderate	7.7	6.4	High burden	68
School Lunch	Mod/Low	2-14*	May be large	Low burden	75
Earned Income Tax Credit	Low	1.5*	23-28	Low burden	75-86**

Notes: *Estimate is rough. **Participation rate is measured among families, not individuals.

Source: Isaacs, J., Brookings Institution, U.S. Department of Agriculture. (2008). *The Costs of Benefit Delivery in the Food Stamp Program: Lessons From a Cross-Program Analysis*.

- Program Complexity Has Negative Impacts: Policy design has lasting implications on participation and administrative cost.
- Defining qualifying educational expenses and targeting eligibility drives complexity.

Types of Risk

It is crucial to recognize and account for unintended consequences that may arise from striving to achieve a zero-defect program at scale. Overly stringent auditing practices, such as manually scrutinizing every single expense, can inadvertently lead to programmatic inefficiencies, administrative burnout, and overreach. The following table outlines various types of risks that can arise.

Risk Type	Description	Impact
Analysis Paralysis	Excessive focus on identifying and preventing every possible instance of fraud leads to overanalysis and delays in decision-making.	Can cause significant inefficiencies, slow down program implementation, and frustrate families who experience delays in receiving funds or approvals.
Over-Auditing/ Monitoring	Conducting more audits and monitoring than necessary due to fear of fraud, which can overwhelm administrative resources.	Likely to increase administrative costs, create burdensome documentation requirements for families and service providers, and can delay educational services to children.
Lack of Internal Controls	Insufficient internal mechanisms to prevent, detect, and correct fraud within the ESA program.	Increases the risk of internal fraud, errors, and inefficiencies, potentially leading to significant financial losses and damage to the program's reputation.
Focus Only on External Fraud	Concentrating efforts solely on detecting fraud committed by beneficiaries while ignoring potential internal fraud by employees or service providers.	Poses significant financial and operational risks if internal fraud is left undetected.
Not Using Best Practices From Other Programs and Industries	Failing to adopt and adapt best practices in fraud monitoring and auditing from other established programs and industries, such as financial services or healthcare.	Missing opportunities for improved fraud detection and prevention techniques, leading to higher susceptibility to fraud and inefficiencies.

Inadequate Training and Resources	Insufficient training for staff involved in expense reviews and auditing, combined with a lack of adequate resources to conduct thorough audits.	Overlooking fraud indicators and conducting superficial audits, compromising the program's integrity.
Technological Deficiencies	Lack of advanced technological tools for monitoring and auditing transactions, such as data analytics, automated expense reviews, and documentation validation.	Reduces the administrator's ability to prioritize expense reviews and efficiently detect and analyze suspicious activities.
Inconsistent Policy Enforcement	Inconsistent application and enforcement of policies and procedures.	Creates loopholes that can be exploited and leads to unequal treatment of beneficiaries, undermining the program's fairness and integrity.
Inadequate Communication and Feedback Mechanisms	Poor communication channels and feedback mechanisms between program administrators and families.	Delays in addressing issues, lack of transparency, and missed opportunities for continuous improvement in fraud prevention strategies.
Specialty and Focus	Exerting broad and sole oversight over auditing practices that fall outside of an administrator's specialty.	Creates closed-loop decision-making and does not properly delegate monitoring and audits to a specialized third party.

“The reality is, fraud is exceedingly rare, yet dramatically overemphasized in ESA programs.”

– Hayden DuBlois, 2023 Research Findings on ESA Program Integrity

ESA Audits: Models and Recommendations

Purpose

This section examines audits and compliance monitoring within the ESA space. It outlines various methodologies required by programs, providing a view of how these programs operate. Additionally, it identifies opportunities for improved oversight and increased efficiencies that can be learned from other states and industries implementing best practices.



Administrator Discretion

ESA programs vary significantly, and statutory guidance regarding program integrity is often limited, typically only indicating the necessity for such measures without specifying detailed provisions. The responsibility for developing the specifics of program integrity usually falls to program administrators and rulemaking bodies. To build a foundational understanding, it is crucial to thoroughly review the program's establishing statutes. This review should aim to identify the scope of audit authority, compliance monitoring, internal controls, fraud prevention measures, and transparency. The focus should be on addressing the following questions:

- To which entity has audit authority been granted?
- What is the frequency of the audit required by statute?
- What is the scope of the audit required by statute?
- What is the sample size of the audit required by statute?
- Is there authority to contract with outside entities to conduct audits and compliance monitoring?
- Does the statute create a floor and/or ceiling for audits?
- Is there administrative discretion to exceed an audit floor or ceiling?
- Does the statute require fraud monitoring?
- Are there designated fraud reporting hotlines, websites, or email addresses?
- Is there a requirement to report fraud to a local or state law enforcement agency?
- Is there a definition or definition by reference of fraud?
- Are there required reporting mechanisms (e.g., annual/quarterly reports, regularly released programmatic data, customer satisfaction ratings)?
- Is there language that allows external public and private third parties to grant resources?
- Do statutes or rules require the establishment of internal controls?
- Is line-item funding or a sub-account established for audit and monitoring purposes?
- Is there a statutory requirement to hire audit/fraud monitoring personnel?

What Kind of Audits Should Exist in Every ESA Program?

Financial Audits

Purpose: To verify the accuracy of financial records and ensure that funds are used in compliance with regulations and standards.

Applicability: Given the large number of transactions and the significant amount of funds involved in ESA programs, financial audits are crucial. These audits help ensure that all financial transactions are accurately recorded and that financial statements provide a true and fair view of the program's financial status.

Performance Audits

Purpose: To assess the effectiveness, efficiency, and economy of the program.

Applicability: Performance audits are particularly useful for a program to evaluate whether the ESA funds are achieving the intended educational outcomes. Such audits investigate how well the program is managed, the adequacy of service delivery to families and providers, whether it meets the needs of the participants, and if there are any areas in which efficiency could be improved.

Compliance Audits

Purpose: To check adherence to laws, regulations, and internal policies.

Applicability: Compliance audits focus on ensuring that the program operates within the legal framework set out for educational funds and scholarships. This type of audit would verify that all program activities comply with state laws, federal regulations, and specific program rules regarding eligibility and fund usage.

What Kind of Audits Are Being Used Today?

To date, states have taken to auditing ESA programs by employing a variety of standards, including a mixture of the following financial audit types:



Annual Audit

A systematic review conducted once a year to evaluate the financial statements and transactions of an ESA program for accuracy and compliance with applicable standards and regulations.



Sample Audit

An auditing process that examines a representative subset of transactions or accounts, rather than reviewing all transactions, to infer the overall compliance and integrity of the program.



Random Audit

An unpredictable, unscheduled audit in which transactions or accounts are selected at random, ensuring all participants understand they could be reviewed at any time.



Manual Transactional Audit

A detailed examination of specific financial transactions within an ESA program to verify their accuracy, authorization, and alignment with program guidelines and policies.



Risk-Based Audit

A process which targets areas of the ESA program identified as high risk for errors, fraud, or noncompliance, focusing auditing efforts where they are most needed to mitigate potential issues.

The Landscape of Audits in ESA Programs

Like most administrative functions, implementing an audit strategy involves balancing trade-offs to effectively prevent fraud, ensure programmatic compliance, and enhance program efficiency. Audit methodologies must be tailored to strike a balance between thoroughness and efficiency. This involves designing audits that are proportional to the needs and scale of the program, ensuring they are not excessively burdensome while still providing high-quality assurance that they meet rigorous standards.

To view an interactive version of this table with links, visit: yeseverykidfoundation.org/esa-implementation-roadmap.

State	Eligible Expenses	Statute	Third-Party Audit Option	Annual Audit Requirement	Sample/ Random Audit Requirement	Risk-Based Audit Requirement	Notes
Alabama	Eligible Expenses	CHOOSE Act	No	No	No/No	No	Hybrid tax credit program subject to alternate oversight
Arizona	Eligible Expenses	ARS 15-2403(B)	Yes	Yes	Yes/Yes	Yes (not implemented)	Monitors and manually approves every transaction
Arkansas	Eligible Expenses	Ark. Code § 6-18-2504(C)	Yes	Yes	No/Yes	No	New program
Florida	Eligible Expenses	Fla. Stat. § 11.45(2)(l)	Yes	No	No/No	No	Admin conducts separate audits that are reported by AG
Georgia	Eligible Expenses	Ga. Code § 20-2B-5	Yes	Yes	No/Yes	No	New program
Indiana	Eligible Expenses	Ind. Code § 20-51.4-3-3	Yes (Required)	Yes	N/A	N/A	New program
Iowa	Eligible Expenses	Iowa Code § 257.11B	No	No	No/No	No	Method of audits left to DOE discretion
Louisiana	Eligible Expenses	Bill Chaptered: Act No. 1	No	Yes	No/Yes	No	New program

State	Eligible Expenses*	Statute	Third-Party Audit Option	Annual Audit Requirement	Sample/ Random Audit Requirement	Risk-Based Audit Requirement	Notes
Mississippi	Eligible Expenses	Miss. Code Ann. § 37-181-11	Yes	Yes	No/Yes	No	May conduct audits more frequently than annually
Montana	Eligible Expenses	Mont. Code Ann. §§ 20-7-1 through 10	No	No	No/No	No	No audit requirement. New program
New Hampshire	Eligible Expenses	N.H. Rev. Stat. Ann. § 194-F:4	Yes	Yes	No/Yes	No	
North Carolina	Eligible Expenses	N.C. Gen. Stat. § 115C-597	Yes	Yes	Yes/Yes	No	
South Carolina	Eligible Expenses	S.C. Code § 59-8-145	Yes	Yes	No/Yes	No	May conduct audits more frequently than annually
Tennessee	Eligible Expenses	Tenn. Code Ann. § 49-6-2606	Yes (Required)	Yes	Yes/Yes	Yes	Comptroller completed financial, compliance, and performance audit of the ESA program
Utah	Eligible Expenses	Utah Code § 53F-6-405	Yes (Required)	Yes	No/Yes	No	Utah requires annual review by an independent CPA

State	Eligible Expenses	Statute	Third-Party Audit Option	Annual Audit Requirement	Sample/ Random Audit Requirement	Risk-Based Audit Requirement	Notes
Wyoming	<u>Eligible Expenses</u>	<u>Laws 2023, Ch. 108</u>	Yes	Yes	Yes/Yes	N/A	New program and the only state requiring a sample threshold
West Virginia	<u>Eligible Expenses</u>	<u>W. Va. Code § 18-31-10</u>	Yes	No	No/Yes	No	Frequency of audits "as needed"



Integrated Compliance Monitoring & Audits

As shown above, statutes can specify the type and regularity of financial audits or defer to the rulemaking body/administrator to determine the monitoring and audit scope. Notice that the predominant statutory framework for ESA programs includes broad requirements for conducting financial audits but is silent as to whether continuous monitoring, compliance, and performance audits are completed at all.

Almost universally, programs housed within state agencies are audited by the state auditor general for compliance and performance (though to varying degrees). Many states do not conduct performance and compliance audits of ESA programs specifically but of the larger agencies and organizations they're attached to. As programs grow, these specific audits will become more necessary to ensure ESA families and taxpayers as being served optimally by the program.

Assessing an audit through an integrated approach, tailored to the size and complexity of the program, offers several significant benefits and aligns with best practices in the field of auditing. This method ensures a holistic understanding of the program's operations, financial integrity, compliance with regulations, and information system effectiveness. By considering the unique aspects of each program—whether it's a small, simple operation or a large, complex one—auditors can allocate resources more effectively, pinpoint risks accurately, and provide targeted recommendations that drive meaningful improvements. This approach fosters a deeper collaboration between auditors and program stakeholders, leading to enhanced transparency and trust. Moreover, it supports the dynamic nature of ESA programs, allowing audits to adapt to changes in size, scope, and operational challenges over time. Ultimately, an integrated audit approach not only elevates the audit's quality but also enhances the program's ability to fulfill its mission effectively and efficiently.



Recommendations

Remove Conflicts of Interest & Improve Program Efficiency

Recommendation: States should adopt independent third-party audits as a standard.

Context: This would de-risk the administrative body by ensuring that audits are conducted independently, reducing potential conflicts of interest and enhancing transparency. Additionally, third-party auditors are more likely to use the latest technology and best practices, which can improve the efficiency and accuracy of the audit process, leading to a more seamless customer experience. Engaging stakeholders, including parents, educators, and administrators, in the development and refinement of audit policies ensures that they address practical concerns and promote transparency.

Require Risk-Based Audit Measures to Scale

Recommendation: Adopt risk-based audit measures that trigger when an ESA program reaches a student enrollment benchmark identified by the state legislature in statute or adopted through rule.

Context: This ensures that larger programs, which inherently carry more risk, receive more targeted oversight without diverting resources from other aspects of program delivery. By establishing a clear enrollment benchmark, states can ensure that resources are allocated effectively and that higher-risk programs receive the necessary scrutiny to safeguard public funds and ensure compliance.

Adopt Internal Controls

Recommendation: Require ESA administrators to engage an independent third party to develop, adopt, implement, and evaluate internal controls that meet industry standards.

Context: Independent third-party oversight of internal controls helps prevent internal cases of fraud by ensuring that the controls are designed and implemented without bias. This measure enhances the integrity of the ESA program by ensuring that robust safeguards are in place to detect and prevent errors and fraud.

Integrated Financial Audits

Recommendation: Implement continuous third-party monitoring of parent expenses using risk-based methods, culminating in at least an annual financial audit with allowable random sample audits throughout the year.

Context: Continuous monitoring allows for real-time detection of irregularities and ensures that parent expenses are being tracked accurately. Annual audits, complemented by random audits, provide a comprehensive review of the program's financial activities, ensuring that funds are used appropriately and in accordance with program guidelines. Utilizing automated transaction monitoring systems and real-time reporting dashboards can enhance the effectiveness of these audits.

Compliance and Performance Audits

Recommendation: Require every ESA program or third-party administrator of an ESA program to receive a compliance and performance audit by an independent third party once every three years.

Context: Regular compliance and performance audits ensure that ESA programs are not only adhering to legal and regulatory requirements but are also achieving their intended outcomes. Independent audits conducted every three years provide a thorough assessment of the program's effectiveness and identify areas for improvement. Establishing mechanisms for continuous feedback from auditors and program stakeholders allows for regular updates and refinements of audit procedures, ensuring that the audit program evolves in response to emerging risks and changing regulatory requirements.

Reevaluating Misspending in Arizona's ESA Program

Purpose

This case study examines the claims of historical misspending within the Arizona Empowerment Scholarship Account (ESA) program. It aims to analyze available data and reports, particularly from the Arizona auditor general, to determine the verifiable extent of misspending and assess whether it has been overestimated or underestimated.



Case Presentation

Background

Lawmakers established the ESA program in 2011 to provide families with greater educational choice. Originally created to serve students with disabilities, the program has since expanded to include a broader range of students, including those from failing schools, children of military families, and eventually, all students in Arizona. The ESA program empowers parents to use state funds allocated for their children's education on various educational expenses, including private school tuition, tutoring, online courses, and educational therapies. By 2023, the program had grown significantly, with over \$304 million distributed to participating families.

Controversy Over Misspending

As the ESA program expanded, concerns about potential misspending began to emerge. Critics argued that the program lacked sufficient oversight and that state funds were being misused by some participants. Media reports raised alarm over cases in which ESA funds were allegedly spent on noneducational expenses. The controversy fueled a narrative that the ESA program was rife with fraud and abuse, leading to calls for stricter regulations or a dismantling of the program entirely.

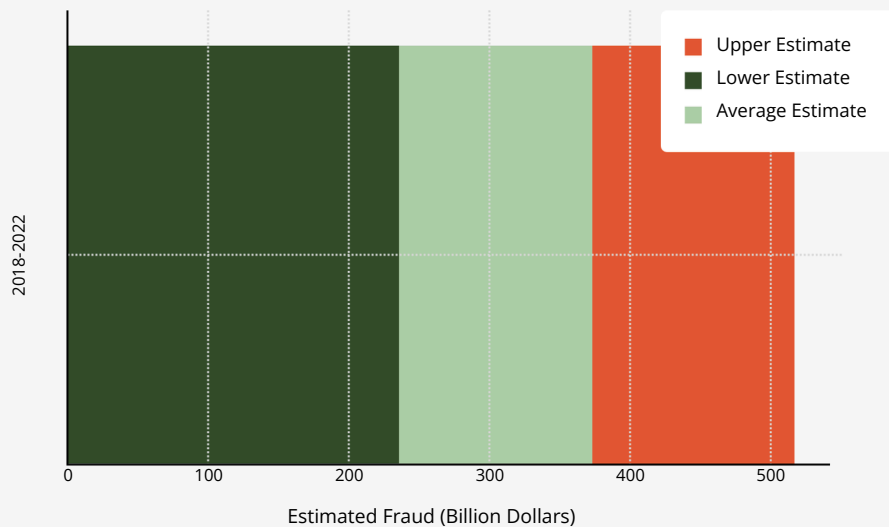
While every government program differs greatly from the next in funding, staffing, technology, and policy, it is important to note that the Arizona ESA program, since its inception, has been the subject of great public and political debate. "My concern is that it has expanded so quickly and it has so few controls over it compared to public schools, and charter schools even, that it is open for abuse, and that's what I'm trying to ward off here," declared Arizona Attorney General Kris Mayes in August 2023.

But what information is being relied upon to draw such conclusions? Is there data to support claims of abuse within the Arizona ESA program?

Benchmarks for Misspending in Large Government Programs

The U.S. Government Accountability Office (GAO) estimates that annual fraud in federal government programs could be as high as \$521 billion, or about \$1,600 per person, in the United States, with an average estimate of approximately \$377 billion for the period between 2018 and 2022. That would make misspending in government programs the sixth largest federal agency, spiking to as high as 7% of total spending, while individual programs can reach much higher.

Estimated Annual Fraud in U.S. Government Programs (2018-2022)

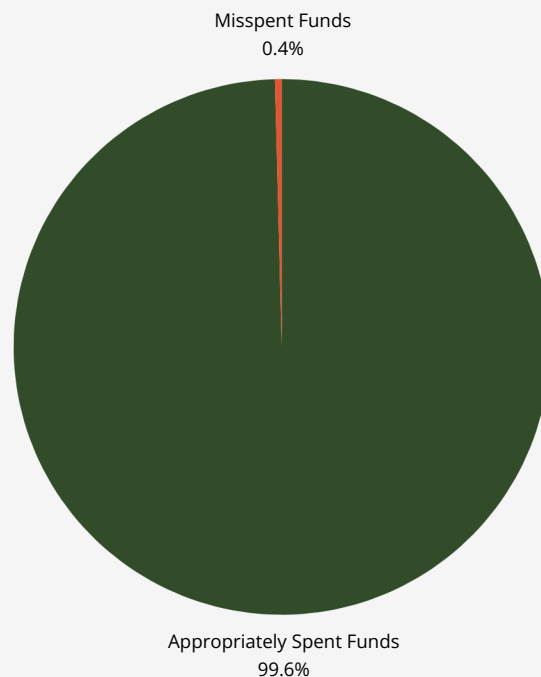


For its part, the Arizona ESA program has implemented a rigorous audit process, requiring that every one of the hundreds of thousands of expense submissions to the Arizona Department of Education (ADE) each year be manually reviewed. This approach, while intended to ensure accountability, significantly exceeds standard auditing practices.

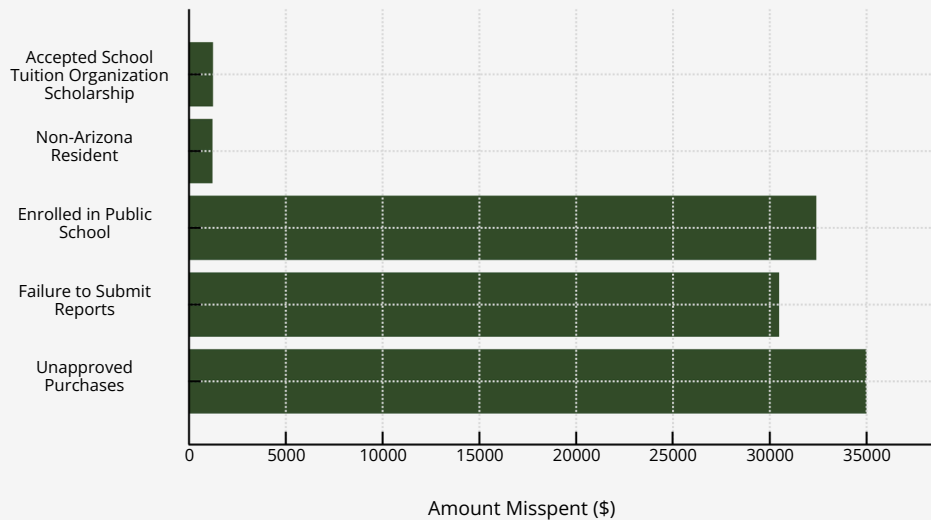
ESA Audit Timeline

In 2016, the auditor general issued its first report of the ESA program, finding \$102,602 in “misspent funds” out of \$25.8 million in payments made by parents.

Misspending vs. Total ESA Program Funding (FY 2016)



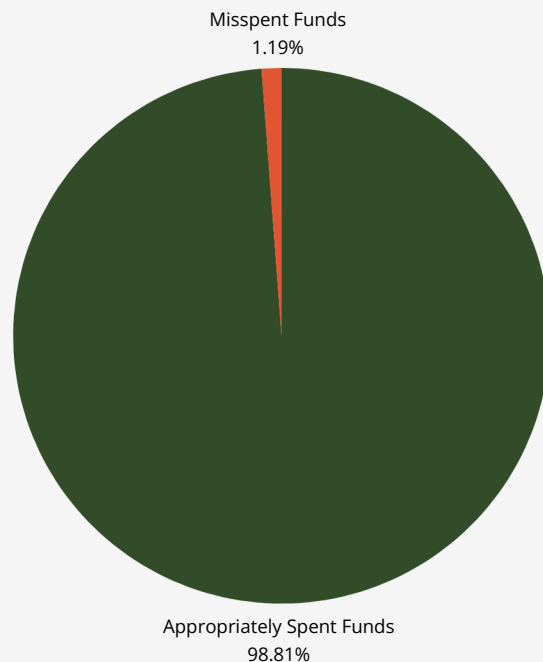
Breakdown of Misspending in the Arizona ESA Program (Aug. 2015-Jan. 2016)



Of the \$102,602 labeled “misspending,” 34.83% amounted to unapproved purchases, while the majority of misspending occurred due to failure to submit timely paperwork or families not removing their children from public school in a timely manner to receive the scholarship. Still, \$102,602, or 0.4%, of total program assets flagged for misspending was met with further calls to rein in the program.

In the follow-up audit for fiscal year 2018, the total misspending identified was approximately \$700,000, which represented 1.19% of the total \$58.7 million in program funding for that year. Local media reports focused on individual transactions from the auditor general's report and highlighted individual bad actors without identifying that 98.81% of ESA funds were appropriately spent.

Misspending vs. Total ESA Program Funding (FY 2018)



2020 Auditor General Special Audit.

ABC15 ESA Financial Report (October 2, 2023)

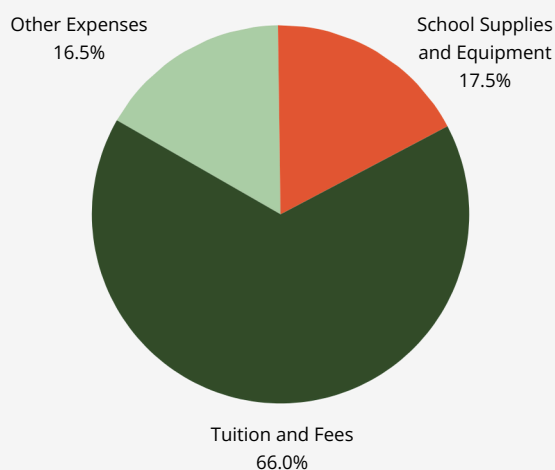
The latest public review of ESA spending was a local media outlet's forensic review of transactional data for the 2022-23 school year. The outlet pointed out a few specific purchases from among the more than 67,000 ESA program participants, highlighting expenses at "golf stores" and on "martial arts training" but did not allege widespread fraud. The report focuses on what government watchdogs like GAO would call "improper payments." These could include overpayments, underpayments, payments to ineligible recipients, or payments that were not properly documented. Most notably, the piece raised questions about the types of expenses being approved by ADE and the freedom the law gives to parents.

"The ESA program is not going to regulate where parents should seek services for their children, including driving schools... While you may think this may not be a good use of that family's ESA funding, at the end of the day, they get a fixed amount of money, and if that's how they're going to choose to use it, that's their prerogative."

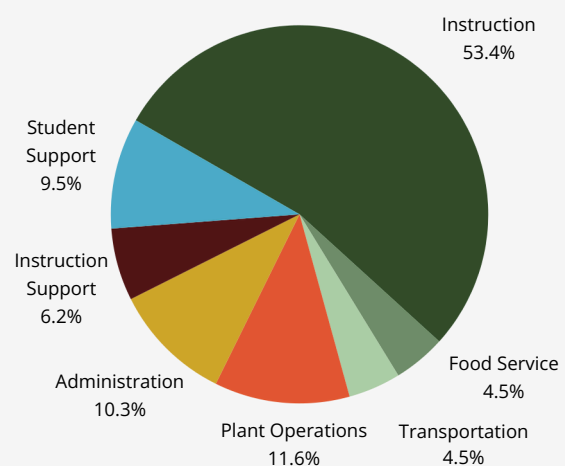
– John Ward, ESA Program Director

In a breakdown of parent spending between ESA programs and Arizona public schools, rates of "classroom spending" were similar, with savings being found by ESA parents in areas like plant operations, food services, and the cost of administration in public schools. These savings give families the ability to enroll in unbundled extracurricular activities like driving school or martial arts to supplement for the advantages of infrastructure offered in a public school (e.g., sports fields and facilities, theaters, meal programs, technology and science labs, school trips, and transportation).

Overall ESA Spending Breakdown



Public School Spending Breakdown



In short, ESA parents filled the gaps left behind by not attending a traditional public school in myriad ways: Instead of football gear, students took martial arts lessons; instead of shop class, students raised chickens or grew vegetables.

Conclusion

The analysis of misspending within Arizona's ESA program, as reported by the auditor general, reveals that the rate of misspending is significantly lower than the national averages found in other government programs. While national programs often report misspending rates as high as 7%, the ESA program has remained below 2%, even with its rapid expansion. This suggests that while issues of misspending exist, they are not as prevalent as critics have claimed.

“Improper payment rates in the ESA program are a fraction of those in other government programs like Medicaid, Unemployment Insurance, and SNAP.”

– Glenn Farley, *Redefining Accountability: A Path to Empowerment in Arizona's ESA Program*

ADE does not suffer from a lack of auditing but an excess of it. The current audit approach, which reviews every expense manually, exceeds standard best practices to the point of inefficiency. Instead, ADE should adopt a risk-based audit process, focusing on high-risk transactions and patterns, which would allow for more efficient use of resources while still maintaining accountability.

“[ADE should continue] strengthening its spending review process, such as continuing to develop a risk-based approach for prioritizing its spending reviews and using all available tools to detect misspending.”

– Arizona Auditor General Report, 2016

Finally, much of the criticism directed at the ESA program stems from a misunderstanding or purposeful mischaracterization of its core purpose: to promote educational freedom and flexibility for families. The program was designed to move away from the bureaucratic aspects of public schools, offering parents the autonomy to choose the best educational paths for their children.

Often, families will opt to curate an education with their ESA precisely because their kids need something different. The program should meet families with trust, not with more hurdles on their journeys to best serve their kids' needs.



Chapter 6:

Administrative Rules

Introduction

ESA programs should empower families with a user experience that makes it easy to apply for funds and to use those funds on eligible education services. The role of administrative rules in an ESA program is to establish the processes and timelines that all parties must follow to ensure that families seeking additional education options can access the program seamlessly.



Review Statute

- Analyze the statutory language to determine whether the agency should adopt rules, and identify which provisions require or necessitate rule implementation. Establish a timeline for drafting, posting, seeking public comment, and adopting proposed rules, in accordance with relevant laws and procedures.



Design

This chapter aims to assist state administrative agency officials and their support organizations in translating an ESA law into a set of administrative rules by:

- Explaining the importance of administrative rules in clarifying the law for program participants.
- Defining the role of administrative rules in the design of a successful ESA program for all participants.
- Identifying areas of importance for administrative rulemaking for an ESA program and providing examples from early-adopter states when applicable.

It is important to note that the development of rules should be a public process, giving stakeholders the opportunity to provide input and feedback. This guide will provide an overview of the importance of stakeholder feedback. While this guide provides a general framework for state rulemaking, the actual procedures used in each state vary. Stakeholders should review their states' administrative rulemaking law for specific information on the formal process, including any exceptions for emergency rulemaking.

The yes. every kid. foundation. (Yes Foundation) implementation team is available to provide additional support.

Administrative Rules Design Guide

Purpose

State governments initiate new programs when state legislatures pass a law establishing them. New state laws establishing new programs typically include language related to the program's intent and broad outlines of how the program will be funded and will function. However, state laws do not always provide specificity on program implementation or how the agency will operationalize the policy.

Often, the law explicitly requires that the government agency responsible for administering the program establish rules for program operations that align with the law's requirements and intent. Additionally, the agency staff will create more specific processes, timelines, documents, forms, and public communications to ensure the program can operate.

Steps to Create and Implement a State Government Program

Step 1

State legislatures pass a law establishing a program, outlining its intent and requiring the creation of administrative rules.

Step 2

State agency governing bodies create and possibly vote to approve administrative rules that further clarify the law.

Step 3

State agency staff develop the timelines, processes, documents, and public communications necessary to operate the program successfully.

About Administrative Rules

Administrative rules, also known as regulations or policies in some states, are more detailed instructions issued by executive agencies to provide clarity and guidance on executing laws effectively. While laws establish the overall legal framework, administrative rules can offer specific steps, requirements, and standards necessary to achieve the intended goals.

Administrative rules are vital components of the program implementation process. They provide specific guidelines and procedures that complement and clarify the broader framework set by laws. Their importance lies in bridging the gap between legislative intent and practical application, ensuring a smooth and consistent execution of a program aligned with its original purpose.

The administrative rulemaking process is the official adoption of rules by the agency's governing body. This process can happen through a series of steps, including a public comment period, one or more public votes, or whatever is required by that state's laws governing rulemaking. State agencies must ensure that the rulemaking process follows the law, that the rules are aligned with the law, and that they do not create additional barriers or requirements beyond what the law provides.

State agencies engage in a formal rulemaking process to achieve the following objectives:

- Ensure that all stakeholders are aware of a proposed rule and its requirements so they can comply with the rule.
- Allow stakeholders an opportunity to express their views on the proposed rule.
- Gather information that can help staff develop and implement the rule.
- Allow for a full and fair analysis of the impact and validity of a proposed rule.
- Provide transparency.

Agency Tip: If the governing policy language does not explicitly address rulemaking, consider your state's typical rulemaking timeline and compare it to the implementation timeline of the ESA program. Consider an abbreviated or emergency rulemaking process. The Yes Foundation implementation team can assist you in navigating this process.



Using Administrative Rules for Program Design

Administrative rules are created by the governing bodies of state agencies to design the components of a program established by law. They provide guidance for all parties involved in program implementation and participation. One good example of how laws, rules, and agency processes might work together on a program such as an ESA would be how eligibility for program participation for families is determined and communicated.

First, a law establishing a new program may require that applicants have an income below 150% of the federal poverty line to be eligible for participation and that their applications be processed and decided upon "in a timely manner."

Administrative rules would then establish two critical clarifications. First, rules might outline the type of documents that would be accepted to determine family income and whether it falls into the range for eligibility, such as pay stubs, tax returns, or participation in other government benefit programs. Second, rules would establish that an eligibility determination should be conducted in a "timely" manner within 30 days of application submission.

The governing agency would then use the guidance of the law and the rules to set and communicate the annual eligibility and application process. The combination of the rules and law would include how, when, and where parents should submit eligibility documents along with their application, the timeline for submission of this information, and the timeline for decision-making and communication of eligibility based on the 30-day requirement in the rules.

The Importance of Rules for Program Participants and Administrators

ESA programs can touch the lives of tens of thousands of families and enroll hundreds to thousands of individual service providers across a state. Their administration involves state agency staff, potentially a "scholarship organization" to administer components of the program, and a financial services provider. These many parties to the program are all involved in interactions and transactions that risk being unclear, complicated, unfair, or arbitrary without the proper rules. A lack of or insufficient rules can even jeopardize the program's success and risk its ability to expand or threaten its continued existence.

In each of the areas described below, rules and agency processes must provide the following:

- Precision and Clarity: Instructions that enable implementers to understand the finer details of executing a law.
- Flexibility and Adaptability: Adaptation to specific circumstances; rulemaking can be a dynamic tool in responding to changing needs and evolving challenges.
- Consistency and Fairness: Preventing potential bias and ensuring fair treatment for all stakeholders.
- Efficient Oversight: Enabling effective enforcement of the law.

**Essential Elements in ESA Program Rules**

Section	Contents
Eligibility Criteria	<ul style="list-style-type: none"> • Definition of eligible students • Definition of qualifying providers (schools, tutors, educational services) • Income or other qualifying factors for families
Program Enrollment & Application Process	<ul style="list-style-type: none"> • Application requirements and documentation • Timeline for application submission and approval • Renewal procedures
Funding & Allocation	<ul style="list-style-type: none"> • Calculation of funds per student • Disbursement methods and schedule • Permissible uses of funds • Procedures for fund tracking and accountability
Qualified Expenses	<ul style="list-style-type: none"> • List of eligible expenses (tuition, tutoring, educational materials, etc.) • Process for submitting expense claims or purchase requests • Restrictions on use of funds
Provider Requirements & Responsibilities	<ul style="list-style-type: none"> • Criteria for becoming a qualified provider • Required documentation and agreements • Performance and reporting requirements
Monitoring & Compliance	<ul style="list-style-type: none"> • Oversight mechanisms for funds and provider compliance • Auditing and reporting requirements • Procedures for handling misuse of funds

Dispute Resolution & Appeals	<ul style="list-style-type: none"> • Process for resolving disputes between the program manager, families, and providers • Appeals process for denied applications or expenses
Program Administration	<ul style="list-style-type: none"> • Roles and responsibilities of the administering agency • Communication and outreach to stakeholders Data • privacy and protection guidelines
Evaluation & Reporting	<ul style="list-style-type: none"> • Metrics for program evaluation and success • Reporting requirements to legislative or oversight bodies • Continuous improvement processes based on feedback and data analysis

Eligibility

The law generally establishes broad categories for student and family participation in the program, both initially and on an ongoing basis. Rules should establish specificity and clarity around eligibility criteria, including the documents required for determination, how they are submitted, and the timeline. As with parent participation, administrative rules should establish the criteria for school and provider participation.

Program Enrollment and Application Process

Rules and agency policies should establish the process and timelines for applying, receiving communications on acceptance or denial of the application, and enrollment. Parents and agency staff should be clear on how a family or provider can appeal an application denial, the timeline and process for making appeal decisions, and any additional recourse they may have if an appeal is denied.

Arizona's ESA program rules specify the timeline for the Arizona Department of Education (ADE) to issue an award letter after an application is made and to issue a contract for participation for families. This level of detail gives families an understanding of when to expect communication from ADE and the ability to hold ADE accountable if those timelines are not met.

New Hampshire's rules require the scholarship organization that administers the program to publish a standard application form on its website and the procedures used for approving the participation of education service providers. Those procedures must include how they review education service providers' processes for conducting background checks for individuals working with students to clarify to providers and families that the program prioritizes student safety in the application review.

Funding and Allocation

Administrative rules for an ESA program should provide clear guidance on how scholarship awardees access their funds. These rules must define allowable expenses, procedures for payment and reimbursement, and conditions for rolling over funds from year to year. Families need a thorough understanding of how scholarship awards are calculated, the expected amount of funding, the timeline for receiving funds, and the methods for accessing these funds, including electronic means. Additionally, they should be informed about reporting requirements and have access to clear instructions for appealing decisions regarding allowable expenses.

Similarly, providers need clear procedures for reporting service costs, collecting payments, and handling reimbursements for overpayments or service cessation. They should also know which services, materials, and equipment are eligible for payment through the program. Clear protocols for daily account management and payments are essential to prevent frustration among parents and ensure high-quality providers are willing to participate in the program.

Arizona's rules require that ADE establish and maintain a database of approved and disallowed expenses and make the database available to parents online. This makes it easy for families to determine in advance how they can spend their dollars and prevents funding from being inadvertently misspent, requiring reimbursements.

Program Monitoring and Compliance

Rules must clearly outline the requirements for financial, performance, and compliance audits and reviews. This includes specifying applicable reporting obligations for providers receiving funds from the program, external vendors administering the program, and the administering agency. These rules should detail the type of information required, the frequency of those reports, and the designated recipients. Basic reporting should consist of data such as the number of participants, eligibility criteria, total funds expended by family and provider, types of service utilized, and statistics on applications submitted, approved, and denied.

Furthermore, the rules should establish protocols for conducting audits—both routine and risk-based—and specify how issues will be addressed and parties will be held accountable. This includes defining steps to be taken when there are suspicions of noncompliance by any involved party, including the program administrator, financial services provider, educational services providers, or families. The program should also be regularly assessed against the legislative intent and the values established in the law, with the evaluation methods based on reported data. Key assessment areas include program volume, enrollment trends, fiscal impact, processing timelines, parent satisfaction, and provider quality.

New Hampshire rules require the scholarship organization administering the program to contract with a third-party auditor to conduct risk-based audits of ESA accounts at least annually. This requirement can reduce fraud and waste by parents or providers and ensure funding is efficiently used to support the program's goals.



Stakeholder Engagement

A state agency must typically inform the public about its plans to adopt or amend a rule. In many states, the agency must send a written notice to individuals who have requested notification.

The notice usually includes:

- A copy of the proposed rule
- A summary of the proposed rule
- The law under which the rule is proposed
- The date and time of any public hearing on the rule
- The procedure for submitting comments on the proposed rule

Providing notice to the public ensures that stakeholders are aware of the proposed rule and can provide feedback. This process allows the agency to receive comments, reactions, and additional information before finalizing a rule, especially from those who will be affected by it.

After providing public notice, typically, an agency must take written comments. Many also hold a public hearing to take oral comments before adopting a rule. This public comment period allows stakeholders to provide feedback and insight into the process. Stakeholders often offer practical experience on how the rules will shape program implementation and development. This insight will be helpful to ensure that the regulations fulfill the legislative intent of the program. The practical and technical feedback during the rulemaking process can inform agency staff if they need to consider adjusting the draft rules to account for potential unintended consequences.

Stakeholder Tip: Although an agency may sometimes request comments on a specific part of a rule, stakeholders are typically allowed to comment on any aspect of a rule. Stakeholders can support positive aspects, critique all or part of a rule, provide valuable information on the subject area of a rule, or highlight potential adverse outcomes or effects. Practical examples and recommended language adjustments provide the most helpful guidance to agency teams.

Agency Tip: Seek feedback during the drafting process to inform the rulemaking process prior to the official comment period. Using language that is easy for nonspecialists to understand can promote high-quality public participation in administrative rulemaking.

Amendment and Revision of the Rules

Administrative rules may need to be amended for various reasons, including:

- A change in administration
- New statutory language affecting the rule
- Identified gaps in existing rules
- Consolidation and streamlining of rules to ensure consistency
- New technology or program innovations requiring rule adjustments
- A petition from the public

When making rule changes that affect an ESA program, it's essential to consider the timeline and the impact on the current school year. Changes affecting participant eligibility or payments should be implemented without disrupting existing participants or payments.

Additionally, agency staff should explore options for implementing the changes consistent with impacts for the subsequent school year (e.g., “For the 2025-26 school year and subsequent school year, the requirements are adjusted as follows...”).

Conclusion

Administrative rules play a vital role in bridging the gap between legislative intent and practical application, ensuring clarity and consistency in the execution of programs. By providing specific guidelines and procedures, administrative rules contribute to the smooth and effective operation of ESA programs. State agencies must ensure that the rulemaking process aligns with the law, involves stakeholder input, and maintains transparency. A well-crafted administrative rulemaking process is essential for state programs to function successfully and achieve their intended goals.

Yes Foundation is fully equipped to provide support throughout the process. Our comprehensive expertise can efficiently supplement staffing resources and assist you in navigating your state's unique rulemaking processes.

Administrative Rules Resource

To view an interactive version of this table with links, visit: yeseverykidfoundation.org/esa-implementation-roadmap.

State	Program Name	Launch	Link to Rules (as of Oct. 2024)
Alabama	CHOOSE Act	2025	Pending Rulemaking Process
Arizona	Empowerment Scholarship Accounts	2011	7 A.A.C. 2, Article 15 : Empowerment Scholarship Accounts (Pages 172-182)
Florida	Family Empowerment Scholarship for Educational Options	2019	Rule: 6A-6.0952 : Family Empowerment Scholarship Program Rule: 6A-6.03315 : Private School Scholarship Compliance
Georgia	Promise Scholarship	2025	Pending Rulemaking Process
Indiana	Education Scholarship Account Program	2022	Section 511 IAC 7-50-1 : Applicability Section 511 IAC 7-50-2 : Definitions Section 511 IAC 7-50-3 : Service Plan; Parent Election Section 511 IAC 7-50-4 : Reevaluation, Case Conference Committee Meetings; Participants Section 511 IAC 7-50-5 : Enrollment in Public School; Termination of Education Scholarship Account
Iowa	Students First Education Savings Account Program	2022	281-20.1 : Students First Act—Education Savings Accounts
Louisiana	GATOR Program	2025	Pending Rulemaking Process

Montana	Empowerment Scholarship Accounts	2023	10.16.4001 : Education Savings Accounts
New Hampshire	Education Freedom Account Program	2019	Part Ed 801 : Purpose and Scope Part Ed 802 : Definitions Part Ed 803 : Program Administration Part Ed 804 : EFA Funds and Disbursement Part Ed 805 : Application and Enrollment Part Ed 806 : Termination of Education Freedom Accounts Part Ed 807 : Legislative Oversight Committee
North Carolina	ESA+	2019	Rules Governing the North Carolina Personal Education Student Accounts for Children with Disabilities Program
Tennessee	Individualized Education Account Program	2017	Chapter 0520-01-11 : Individualized Education Accounts
Tennessee	Education Savings Account Program	2021	Chapter 0520-01-15 : Education Savings Accounts
Utah	Utah Fits All Scholarship Program	2024	Rule R277-126 : Utah Fits All Scholarship
West Virginia	Hope Scholarship Program	2022	Rule 112-18-1 et seq. : Hope Scholarship
Wyoming	Education Savings Account Program	2024	Pending Rulemaking Process



Chapter 7:

Expense Management

Introduction

While many discussions around ESA programs focus on risks such as funding, program integrity, and student eligibility, an equally significant yet often overlooked risk is the barriers parents face in accessing funds effectively. Instead of being able to use ESA funds freely, parents frequently encounter administrative obstacles such as pre-approvals, cumbersome reimbursement processes, and long waiting times—effectively locking funds behind bureaucratic walls. These challenges limit the flexibility that ESA programs are designed to provide.

To address this, ESA administrators and policymakers must prioritize developing flexible spending mechanisms that minimize approval delays and promote a seamless experience for families. Payment processes must be tailored to accommodate family needs while maintaining transparency and accountability. This balance is not a new concept; it represents a standard successfully achieved by other government-supported programs. Implementing such breakthroughs in ESA administration will require a deliberate effort to reduce risk-averse practices that have inadvertently restricted families' abilities to create dynamic learning environments for their children.

In this chapter, we explore the current landscape of ESA expense management, evaluate the design of various systems, and assess how effectively each model delivers funds to participating families. By understanding both the limitations and the significant potential for improvement within these systems, we aim to identify practical steps toward enhancing the flexibility, efficiency, and accessibility of ESA programs.



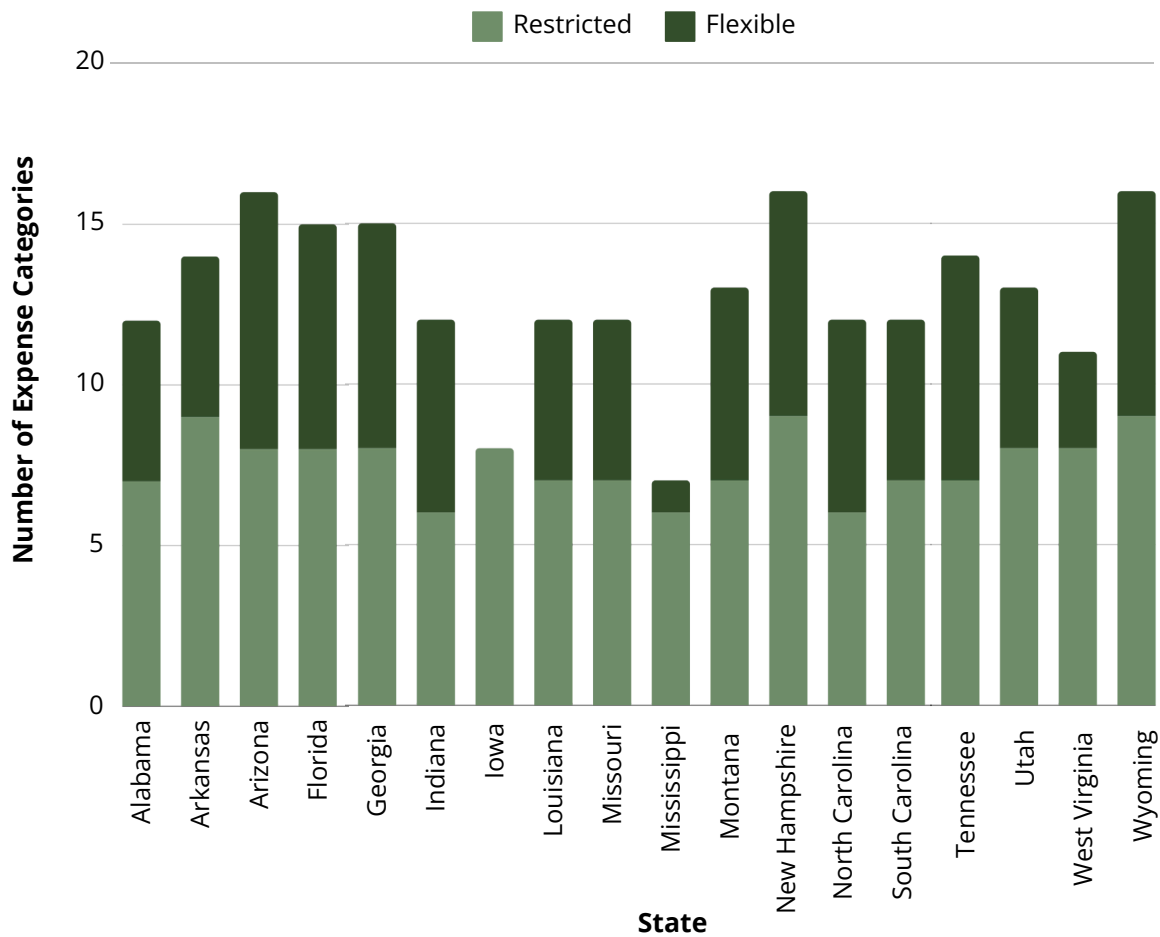
Approach to Design

With the list of ESA programs ever expanding across the United States, two flavors of ESA programs have emerged; for our purposes, we'll call them restricted-use ESA programs and flexible-use ESA programs. What separates the two is the range of qualified expenses. How a program regards expenses is a key policy that broadly determines on what is permissible spending with ESA funds and what is not allowed. Specifically, restricted-use ESA programs prioritize expenses reserved for participating private schools.

However, ESA programs have traditionally permitted flexible spending, with an expanded list of expenses like transportation, supplemental materials, curriculum, etc. The flexible program empowers parents to curate customized learning experiences for their children, providing families greater educational freedom for those who want to take a more personalized approach.

Type of ESA Program	Description	Pros & Cons
Restricted-Use ESA	<p>These programs prioritize the use of ESA funds for expenses specifically for private school attendance. Typically, allowed expenses include tuition, uniforms, and testing fees. This model is designed to cater to the majority of the ESA population and primarily tailored to support traditional private school education.</p>	<p>Pros: Administratively simple</p> <p>Cons: Limits access to the full range of educational choices for families</p>
Flexible-Use ESA	<p>Flexible-use programs enable a broader range of qualified expenses, such as transportation, supplemental materials, curricula, and educational therapies. Parents use the funds to design customized educational experiences, including homeschooling or alternative education models. This type of ESA is designed to meet the needs of families who wish to tailor education to their children in a more individualized way.</p>	<p>Pros: Empowers families to purchase a wide range of educational products and customize their children's education</p> <p>Serves more families and further expands education freedom</p> <p>Cons: Expense management can be more administratively complex, but with the right approach, it can be streamlined and efficient.</p>

Comparison of Restricted vs. Flexible Expense Categories by State



Restricted Categories

Private School Tuition, Online Education, Education Therapies, Private Tutoring, Textbooks, Testing Fees, Career and Technical Education, Industry Credentials, Uniforms

Flexible Categories

Transportation, ESA Management Fees, Fees for Choice Navigator, Computers/Technology, College Savings Plan, College Tuition/Fees, College Textbooks, Insurance Premiums / Surety Bonds, Other Approved by Admin

Market Landscape

Purpose

Whether restricted or flexible, ESA programs present multiple models for how families presently access and utilize their funds. This section explores the two primary models—open market and closed market—each offering unique advantages and challenges in managing educational expenses.



Market Landscape

Open Market

The open-market model allows parents to purchase educational goods and services directly using their ESA funds. This model operates with minimal restrictions, enabling parents to access funds directly while ensuring that transactions are monitored to prevent fraudulent activities.

Practical Approach

Parents use their ESA funds via a direct payment mechanism (e.g., debit card, bank account, vendor validation technology), which does not allow for cash withdrawals or the addition of external funds. Transactions are monitored in real time, with safeguards in place to limit spending based on specific conditions, such as vendor type, location, and spending amount.

Pros

Seamless Spending:

Parents experience little friction in making purchases.

More Choices:

Parents benefit from a wide range of products and services, allowing them to find the best fit for their child's needs.

Proactive Monitoring:

Backend audits and account monitoring help to detect and manage misspending.

Transparency:

Reviews, ratings, and user feedback are typically available in open marketplaces to help consumers make informed decisions.

Pricing:

Parents can compare prices across various vendors, helping stretch their dollars further.

Flexibility:

Parents can quickly adapt to changing educational needs by choosing from an extensive array of options.

Empowerment:

Parents feel more in control of their children's education by directly managing their ESA funds.

Immediate Use:

Funds can be utilized immediately without waiting for pre-approval processes.

Cons**Technology Requirements and Integration:**

Requires adoption/curation of purchase validation technology that is not widely available in ESA programs. State agency data governance practices and policies may slow technology adoption.

Post-transaction Corrections:

Requires recovery of funds in cases of identified misspending.

Payment Options

Direct to schools



Direct to service providers



Reimbursements



Restricted personal accounts



Marketplace transactions and debit card transactions

Closed Market

In the closed-market model, educational products and services are pre-approved before parents can access them. This model involves vetting and white labeling goods and services by approved vendors, ensuring that only eligible items are available for purchase through a controlled marketplace.

Practical Approach

Parents access an online marketplace to search for and purchase pre-approved educational goods and services using ESA funds. If an item or service is not available, parents can request its addition to the platform or pay out of pocket and seek reimbursement.

Pros

Restricted:

Administrators maintain strict control over expenditures.

Third-Party Management:

Financial transactions are managed by a third-party platform provider. Doing this relieves the administrator from transaction management, and in some cases, the customer service component is assumed by the contractor.

Cons

Small Marketplace:

Curating and maintaining a limited marketplace restricts access.

Delayed Reimbursements:

Families may face slow reimbursement processes for items not initially available on the platform, which could be financially challenging for those unable to afford upfront payments.

Limited Choice:

The marketplace's limited offerings may restrict family choice, and vendor costs may be passed on to parents.

Payment Options



Direct to schools



Direct to service providers



Reimbursements

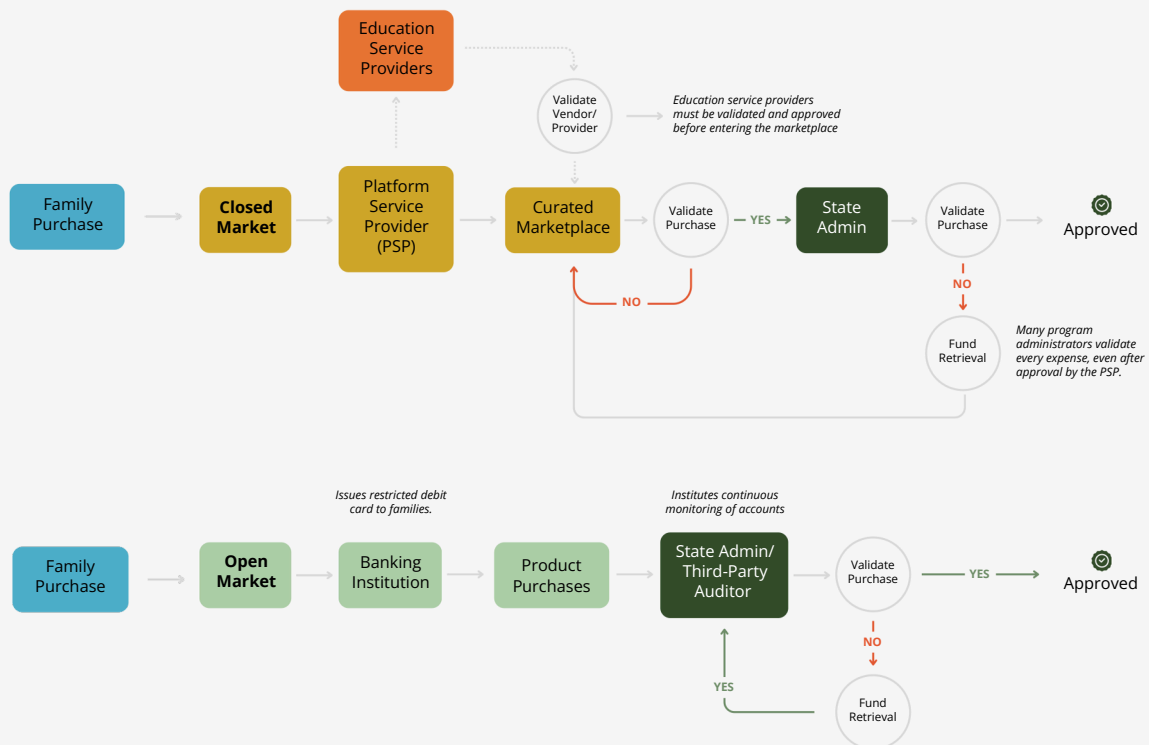


Marketplace transactions

Stakeholders & Their Roles

As discussed above, policymakers and administrators must make a choice about what kind of market is available to families. The open and closed markets have different approaches to administering funds and facilitate different interactions between stakeholders.

- **Families:** Families are the closest to their children's education, and they are the primary beneficiaries of ESA funds. They are responsible for selecting and using the funds for approved educational expenses, such as tuition, tutoring, or educational materials, to customize their child's education.
- **Administrators:** Administrators manage the day-to-day operations of the ESA program. Their responsibilities include monitoring compliance and providing support to all other stakeholders, ensuring the program runs smoothly.
- **Banking Institutions (Open Market):** Banking institutions are involved in the financial management of ESA funds. They manage the restricted-use accounts or prepaid cards issued to families, ensuring secure transactions and compliance with program guidelines. They also support the financial infrastructure that allows for efficient fund disbursement and spending controls.
- **Platform Service Providers (Closed Market):** These providers facilitate the management and disbursement of ESA funds (see chapter 4 on vendor management). They offer secure platforms for transactions, which include marketplaces for purchasing approved educational services and products and processing reimbursements, ensuring funds are used appropriately and efficiently.
- **Education Service Providers:** These are the schools, tutors, therapists, and curriculum providers offering educational services and products. They receive payments from ESA programs when families choose their services for their children's educational needs.



Expense Management Hurdles for Families

Purpose

This section highlights critical considerations for administrators and policymakers regarding expense management in ESA programs. From guidelines for allowable expenses to customizable spending limits, most state laws provide flexibility in managing these programs. However, almost all ESA administrators have adopted a closed or curated marketplace approach that has yet to see innovation in the past 10 years. While these curated marketplaces can provide value to restricted-use ESA programs with fewer payments to a limited number of education service providers, they struggle in more flexible ESA programs with more extensive variety and purchase volume. A high administrative burden can quickly overwhelm capacity, making other approaches, like open marketplaces, worth consideration.

The Closed-Market Model for ESA Programs: Problems and Consequences

The closed-market model for ESA programs has become the prevailing standard across many programs. However, at scale, this model has consistently delivered mixed or poor results. Originally adopted to provide control and security, closed marketplaces come with a range of downsides, particularly impacting families and education service providers. Generally, they require families to purchase educational goods and services from pre-approved vendors who sign up to participate in the marketplace. Closed marketplaces create an environment in which choices are limited, resulting in a less dynamic educational market.

Technological Promises vs. Operational Realities

The primary reason states have adopted closed marketplaces is the promise of technological safeguards, which provide a sense of security for administrators managing public funds; however, the existing systems often come with significant downsides that can undermine those same safeguards. Limited market diversity and fewer opportunities for price comparisons force families to accept what is available rather than what is best for their children. Additionally, closed platforms frequently have an inconsistent expense management process and limited functionality, creating inefficiencies and requiring manual interventions.

“Manual ESA payment processes can regularly range between 7-45 days”

— *Measuring Successful Implementation: ESA Landscape Survey*, yes. every kid. foundation.



A significant risk of relying too heavily on closed systems is the potential for these platforms to grind ESA programs to a halt. Technological systems still need to be more sophisticated to handle the complex nature of educational expenses with full automation and accuracy. Instead of delivering instant validation and secure transactions, families often find themselves stuck in a slow and cumbersome process. When expenses fall outside predefined parameters, the system defaults to a manual review process, resulting in long delays that frustrate parents and, more importantly, prevent timely access to necessary resources, which are crucial for the education of their children.

Lack of Diversity and Delays

Another significant flaw of the closed-market model is the lack of diversity among approved vendors. Flexible ESA programs aim to expand educational opportunities, but these types of marketplaces simply do not provide enough choice. Families are unable to access niche educational tools, education service provider offerings, or other specialized programs that may better suit their children's individual learning needs. Closed marketplaces can create barriers to entry for small education service providers. This limited choice constrains customization and the innovation of educational environments—two critical elements that ESA programs are supposed to foster and that attract families to utilize them in the first place.

One ESA program has a >72-day wait for a parent to receive reimbursement.



Due to the rigidity of closed platforms, many programs have implemented a reimbursement process with manual intervention. The reimbursement process is also a major pain point. For products and services not readily available in the marketplace or requiring out-of-pocket payment, families in flexible programs can seek reimbursement. However, the timeline for reimbursement is often excessively slow, putting undue financial strain on families. These delays in reimbursement greatly impact families with limited financial means, compounding inequity.

Unrealized Potential of an Open Market

The ultimate promise of the closed-market model is to eventually evolve into an open market in which automation and technology can validate transactions seamlessly. This future vision includes real-time approvals and advanced fraud detection capabilities that offer families a frictionless experience while ensuring compliance in near real-time. However, this promise remains largely unfulfilled. Current infrastructure is not advanced enough to provide this level of efficiency, leaving the system dependent on manual reviews as a fallback. Here lies the bottleneck: While the platform provider works on the future technology, parents are left in the Stone Age.

For now, the closed-market approach has fallen short of delivering the desired balance between security, flexibility, and ease of use. The heavy reliance on manual intervention not only slows down the process but also contributes to the risk of bureaucratic stagnation. Families are faced with a system that is neither fast nor flexible, and the limitations of this model are becoming more apparent as more families use ESA programs.

Policymakers & Advocates

Platform providers should not be singled out for slow delivery. ESA programs are a victim of their own success. The reason that backlogs exist is largely due to the stampede of families looking for choice. State administrators are often tasked with setting up new programs on extremely short timelines, sometimes with only a few months' notice and minimal resources, to meet the needs of tens of thousands of participants. This lack of preparation and adequate infrastructure exacerbates operational challenges. Meanwhile, platform providers are fulfilling the requirements stipulated in their contracts, if not by automation, then by sheer force of will, often within constrained frameworks that limit their abilities to innovate or adapt to unexpected changes.

Based on recent interviews conducted by the yes. every kid. foundation. research team, ESA families called the program “life changing.” When asked to rate the program overall, nearly all parents rated the program no less than 7 on a 0-10 scale. More importantly, when asked what they would do if the program were dissolved, all 25 parents interviewed said they would do whatever was necessary to keep their children in their current learning environments.

“I’m super thankful for it. We wouldn’t be able to do the things that I need to do with my daughter without it. We would have to sacrifice all. We would do it, we would sacrifice, but we couldn’t save into a 401(k) anymore. We couldn’t do these things because every month costs us almost \$2,000 with tuition, plus therapies and stuff. And we have four children. That’s just one kid.”

— ESA PARENT

Recommendations

The work being done by the platform providers attempting to deliver a promise to families is changing lives, and they should continue to search for the future technological answer. However, increased demand has put a strain on the systems supporting the work. The ecosystem needs to adapt in several ways.

Recommendation

Platform providers should collaborate to create standard procedure documents for state administrators.

Context

Platform providers should develop and distribute a standardized document on recommended eligibility guidelines as part of the onboarding process for state administrators. This document would serve as a standard operating procedure (SOP) for defining eligible educational expenses. By providing clear, pre-established parameters, administrators can expedite their decision-making, ultimately leading to faster program implementation. Such guidelines will also allow platform providers to build a consistent rules engine that can operate effectively within the specific parameters of each state’s ESA regulations, ensuring compliance and smoother operation of the expense management system.

Recommendation

Ensure clear communication regarding data requirements to achieve automation.

Context

Turnover is not uncommon with platform providers in choice programs. Platform providers must clearly communicate to state administrators the necessary information, accessibility, and access needed to implement automated solutions effectively. This includes specifications regarding personally identifiable information, API integrations, and other essential requirements. Without adequate access to data and system integration capabilities on the part of the provider, administrators should understand the limitations of what is possible and be prepared to deliver parts of the program manually.

Recommendation

Provide more efficient, lower-tech alternatives in the absence of automation.

Context

In cases for which automation cannot be implemented due to lack of resources, infrastructure, or data accessibility, platform providers should offer more efficient but less technologically intensive alternatives. These solutions should aim to streamline processes while minimizing administrative burden and maximizing value to families.

Defining Educational Expenses

Purpose

The challenge of balancing compliance with flexibility stems from the lack of universally agreed-upon definition of what constitutes an education expense. Defining educational expenses within ESA programs is particularly complex, as it involves determining which goods and services qualify as educational. This task is made difficult by the diverse and evolving nature of schooling, education, and learning.



There are no solutions. There are only trade-offs.

– Thomas Sowell, Economist

Flexible Spending & the Challenge of Defining Educational Expenses

When defining allowable expenses with precision, ESA programs face notable administrative challenges and risks. The more specifically expenses are defined, the higher the administrative burden to accurately monitor and enforce these rules. This can lead to increased costs for program management and a greater risk of errors or inconsistencies in expense approvals. Overly rigid definitions may also stifle the program's flexibility, potentially excluding beneficial educational resources that don't fit neatly into predefined categories. Balancing detailed categorization with the need for administrative efficiency is crucial, as it affects both the effectiveness of the program and the ease with which families can access and utilize their funds. Effective oversight requires careful consideration of these trade-offs to ensure that the program remains manageable and responsive to its participants' diverse needs.

Finding Flexibility

The IRS framework for managing business deductions provides a useful model for ESA programs to address these challenges. Adopting a similar approach can help streamline oversight without sacrificing flexibility. In the tax system, businesses self-report expenses under the broad categories of "ordinary and necessary," with the IRS enforcing compliance through targeted random audits. ESA administrators could adapt this system with adjusted controls—such as maintaining expense reports and adding third-party fraud monitoring—while leveraging regular risk-based random audits to ease the administrative burden. This approach would maintain flexibility while enhancing accountability, striking a balance between flexible guidelines and efficient oversight.

This instructive model would enable third-party auditors and administrators to concentrate resources on high-risk or flagged cases rather than reviewing every transaction, making the process more manageable.

The definitions of "ordinary" and "necessary" are the start to a flexible rule set tailored to the program's needs, decreasing the likelihood of unintentional misuse. But what could this framework look like?

How the IRS Reviews Business Deductions



ESA programs should avoid using rigid “always allowed” or “always prohibited” lists for most goods and services. Instead, families should have the flexibility to use ESA funds for educational goods and services, provided they deliver value to the child. Core to the promise of education freedom is the potential for families to truly personalize their children’s education. It is critical for ESA programs to approach families’ choices with trust, not contrition.

Determining whether a good or service is being used for an educational purpose involves a contextual analysis rather than blanket rules. A balanced, flexible approach can be achieved through a straightforward test that maximizes autonomy while fostering educational creativity, grounded in the guiding principles that ESA expenses should be both ordinary and necessary. This framework can be divided into two parts: ordinary use, which evaluates whether a product or service is commonly used in the context of education, and necessary use, which assesses whether it is appropriate or beneficial for the unique learning needs of the child. By applying these criteria, both parents and administrators can follow a consistent, adaptable standard for evaluating expenses, ensuring the diverse needs of each student are met.

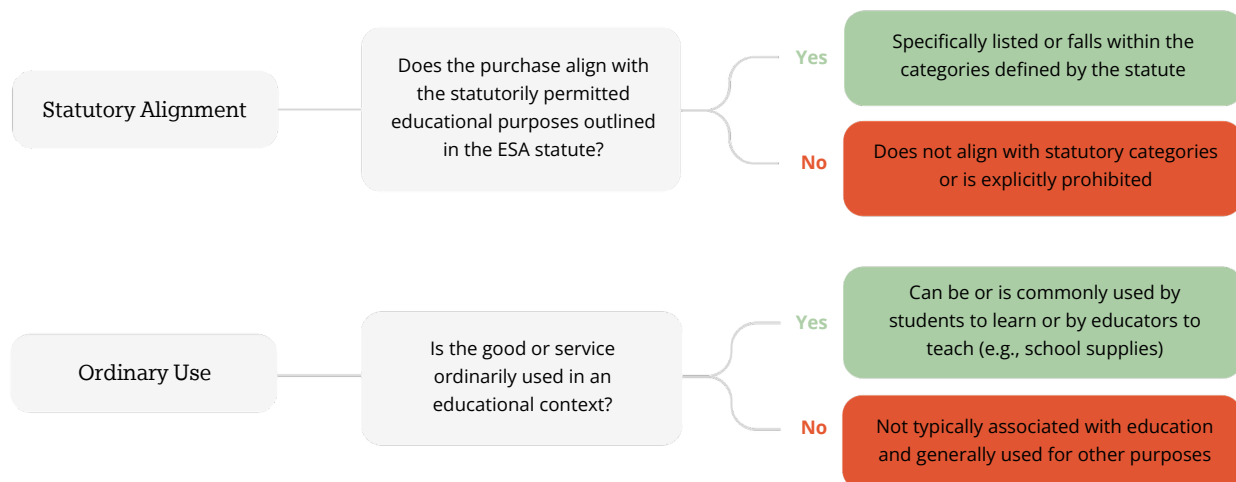


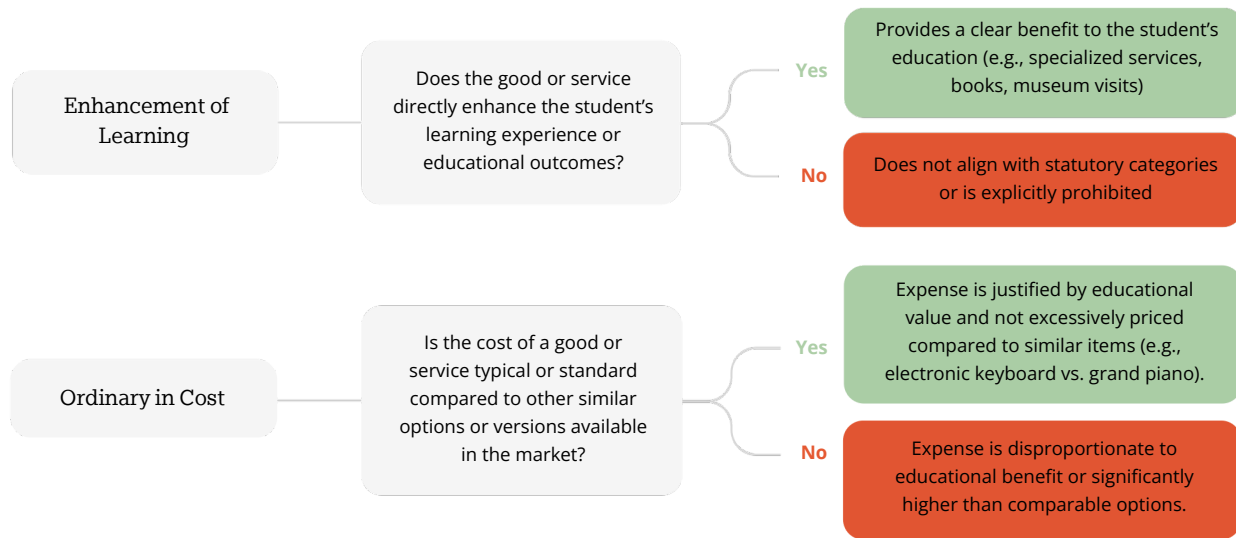
A Simplified Framework: Ordinary and Necessary



Ordinary Use: An ordinary expense means normal, usual, or customary. It doesn’t have to be essential, but it should be normal for the student’s age, and its function should be to provide educational value.

Ordinary Use Test





Example Application

Item	Statutory Alignment	Ordinary Use	Enhancement of Learning	Cost-Effectiveness	Decision
Laptop Computer	Yes	Yes	Yes	Yes	Approved
Gaming Console	No	No	Maybe	No	Disapproved



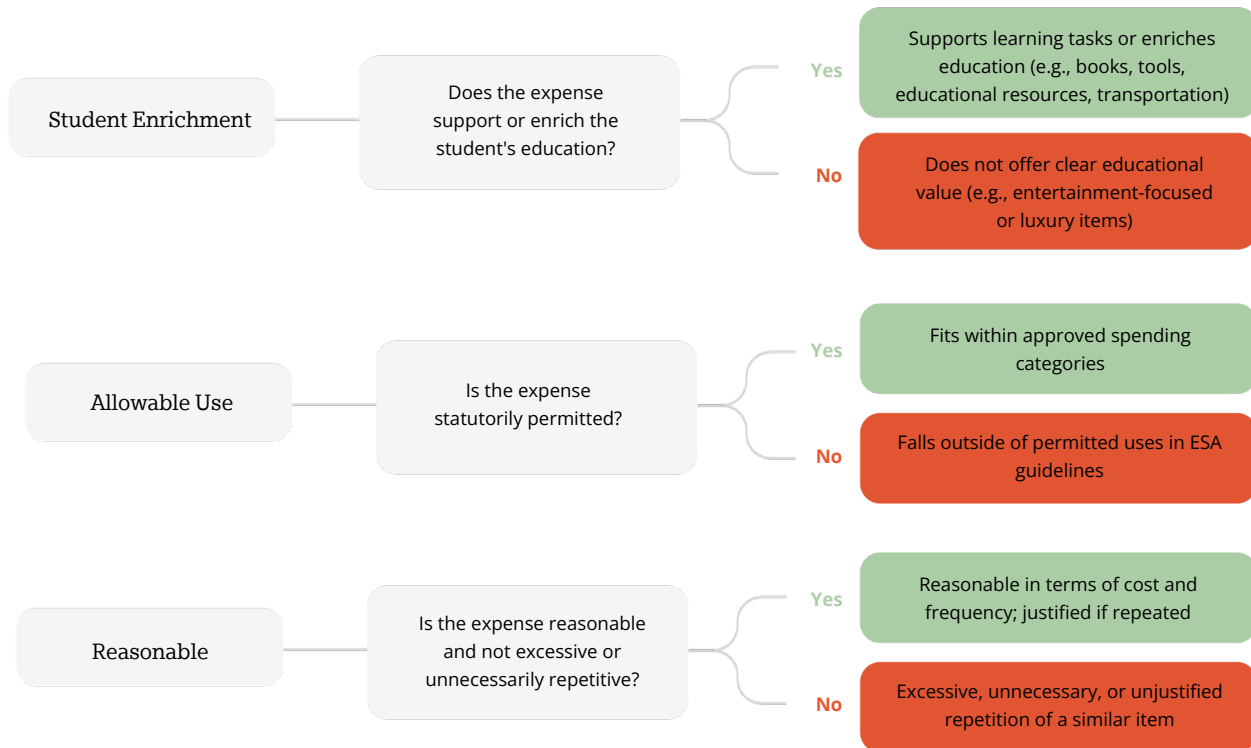
Necessary Use



Necessary Use: The expense is helpful, supportive, or conducive to the student's educational success. It does not have to be indispensable or part of a core curriculum but should provide an indirect benefit and support the student's learning process.

For example, if we conducted the same ordinary use test above on a hammer, it may not pass since its standalone educational relevance is subjective; it's what you do with the hammer that makes it necessary. If you're building a doghouse as part of a woodworking or construction class, a hammer is a necessary expense to achieve the educational outcome and would be approved.

Necessary Use Test



Example Application

Item	Supports Student's Education	Statutory Alignment	Reasonable	Cost-Effectiveness	Decision
Rideshare to an Enrichment Program	Yes	Yes	Yes	Yes	Approved
Buy or Lease an Automobile	No	No	No	No	Disapproved

The Gray Area of ESA Expenses

In managing ESA funds, there are always expenses that fall into a gray area—costs that are not easily classified as clearly ordinary and necessary without further context. These expenses need human review and intervention to determine their appropriateness based on the context of each purchase. For instance, items like specialized software, multifunctional equipment, or nontraditional educational resources can blur the lines of what is typically allowed. These are areas in which strict automated systems might fall short and the nuances of human judgment are essential.

The ordinary and necessary framework offers a foundation for handling these gray areas effectively. It provides a baseline that empowers administrators to evaluate costs objectively while also considering the subjective aspects of the student's needs. This flexibility allows room for complex conversations within administrations about the requirements and expectations of administering their programs. By establishing a consistent, simple test, the framework sets the stage for addressing nuanced cases without impeding the autonomy and creativity of families.

Human intervention plays a crucial role in maintaining the balance between accountability and flexibility. By allowing case-by-case reviews of gray-area expenses, administrators can use the framework to quickly cut to the nature of the expense and ensure that funds are being used in a manner that is both compliant with program guidelines and supportive of personalized education plans. The discussion that this framework invites can also help set clear internal policies on how to handle evolving educational expenses that don't neatly fit into established categories—ultimately contributing to fairer and more comprehensive administration practices.

Additional Considerations

The ordinary and necessary framework is most effective in ESA programs that:

- **Adopt a Flexible ESA Model:** This framework aligns well with ESA programs designed to be flexible, as opposed to those with highly restricted spending categories, allowing families the freedom to meet unique educational needs.
- **Prioritize the Customer Experience:** By focusing on minimizing service interruptions, this approach ensures parents have a seamless experience without unnecessary delays in accessing funds for legitimate educational purposes.
- **Focus Administrative Resources:** The framework allows administrators to prioritize risk-based audits and monitoring and can address misuse by bad actors, rather than engaging in cumbersome, upfront verification of every expense.
- **Serve as an Educational Tool:** It can be used proactively to educate parents on responsible spending by clearly outlining what constitutes ordinary and necessary expenses, helping families understand their options without stifling creativity.
- **Offer Statutory Support:** Integrating this framework into legislation provides administrators with a clear, supportive basis for determining the appropriateness of expenses, creating consistency across decision-making and enhancing program integrity.
- **Allow for State-by-State Customization:** States can adapt the framework by fine-tuning the criteria to reflect their specific program requirements and policy priorities. The ordinary and necessary tests can be the foundation of an automated tool to assist expense review.

Further Customization: Adopting a Rules Engine

The ordinary and necessary tests provide a foundation for determining whether an expense qualifies as an allowable use of ESA funds. However, administrators can go further to customize their reviews based on the diverse statutory requirements of each ESA. This is where a rules engine can enhance more nuanced decision-making.

A rules engine offers a low-tech but effective solution to tailor the application of guidelines, allowing program administrators to align spending rules with the specific statutory requirements of each ESA. By adding specific conditions to the rules engine, administrators can create a flexible, simple way to interpret and enforce boundaries in a consistent manner.

Sample Rules

Below is an example set of broad conditions that the rules engine could use to evaluate expense eligibility.

Condition	Action
If an expense falls within the approved categories	Flag as provisionally eligible
If the expense type is "Musical Instrument"	Allow if it is a rental, but deny if it is a purchase
If a tutoring service is requested	Approve if provider has a valid certification per rule; otherwise, deny
If transportation is claimed	Approve if the mileage rate does not exceed the statutory limit
If educational materials are digital	Approve if categorized as an e-book or online course subscription
If "Equipment Purchase" expense exceeds \$4,000	Require pre-authorization
If an expense is submitted by a parent with past violations	Flag for review by an auditor

Excessive complexity in program rules, statutes, and policies often leads to delays, inefficiencies, and administrative gridlock. A set of balancing tests and rules, while useful, can easily be used in ways that unnecessarily restrict parent choices and freedom. Always strive for simplification, and consider every decision from the perspective of the family to ensure the program remains accessible and effective without overly limiting the options available to families.

This rules engine is intentionally designed to focus on broader conditions, ensuring a consistent and efficient framework. Doing so helps auditors and administrators to narrow their focus, reviewing specific types of purchases rather than delving into each receipt individually.

The purpose is to shrink the buckets of eligible expense categories set by statute and rule into more refined criteria, providing both flexibility and effective oversight without overwhelming complexity. This keeps the decision-making streamlined while also allowing for targeted auditing based on patterns rather than exhaustive, item-by-item analysis.

Use Cases

Platform providers and technology companies are light-years ahead in creating complex systems to address expense issues. However, these complex systems take considerable manpower, cooperation from administrators, integrations, and research and development. Here are some potential use cases for applying a rules engine:

Administrator a Platform Provider Coordination: It is crucial for platform providers to collaborate closely with administrators to devise these rules and ensure they align with statutory requirements prior to launch. The administrators must be the ones making final decisions, not leaving those determinations solely in the hands of platform providers, which is often the case. This collaboration ensures that the rules engine is tailored to specific program needs and respects the intentions of the ESA program. Platform providers can also use these broad rules engines as a contingency if their more complex technology encounters issues. This approach provides both administrators and platform providers with a lower-tech framework to operate under, ensuring that they still meet contract requirements even in challenging situations.

Chatbot Integration for Parents: The rules engine can be integrated into a chatbot, utilizing a library of previously approved purchases to create a responsive resource for parents. Parents could discuss potential purchases through this chatbot, which would provide guidance on whether an item would align with the program rules. The chatbot could also inform parents of the level of audit risk for the purchase, whether similar items have been frequently approved, or if the request might require manual review, thus preparing them for potential waiting times.

Auditor Support: The rules engine can be used to generate reports for auditors, identifying unusual spending patterns or highlighting transactions that fall into gray areas. This can streamline audits and help focus on areas of highest concern.

Parent Spending Training: The rules engine can also serve as a foundation for training parents on effective spending habits within the ESA program. By providing examples of approved expenses, identifying common issues, and offering feedback on spending patterns, parents can be better informed on how to maximize the benefits of the program while adhering to its guidelines.

Administrative Focus: The ordinary and necessary tests, when combined with a well-designed rules engine, will help focus administrative efforts and streamline the expense appeals process. By applying these straightforward tests, administrators can avoid lengthy item-by-item discussions and instead rely on consistent, rule-based decision-making.



Chapter 8:

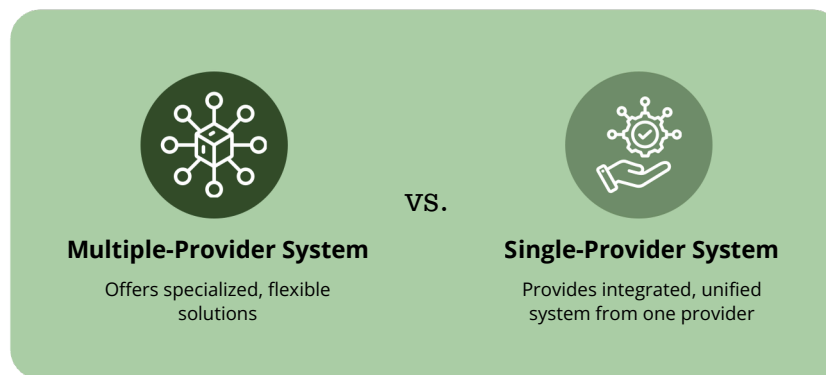
Program Architecture

Introduction: Reforming ESA Services & Governance From Closed to Open Systems

In this chapter, we discuss the existing framework for ESA services, outlining the challenges posed by the current monolithic structure. This introduction will set the stage on why a shift toward a multisystem approach is crucial and how this new model could lead to increased competition, efficiency, and adaptability. By framing the chapter within the broader discussion of innovation in government services, the section will prepare readers to understand the pressing need for systemic change.

ESA Governance & Services Today

The current ESA governance and service delivery model is a complex, tightly coupled system that encompasses numerous functions, including application management, customer service, financial transactions, financial management, improper payment monitoring, accounting, choice navigation, outreach, communications and marketing, administrative review, contract management, enforcement, appeals, policy development, rule writing, and many more. Each of these functions is currently handled within a monolithic framework that involves primarily two key players: the state agency assigned to oversee the program and the platform provider hired to provide technological services encompassing many, if not all, of the areas of program management. This end-to-end solution requires the platform provider to be all things in all cases, which creates significant challenges.



The existing system is:

Complex: The diverse functions required for ESA governance are bundled into a single, monolithic contract. This complexity can lead to inefficiencies, making the system difficult to manage and adapt to new requirements.

Closed: The structure is closed, meaning that changes or updates are often dependent on the capabilities of a single vendor, reducing the potential for ongoing improvement and responsiveness to stakeholders.

Static: By relying on one large vendor for all services, the ESA program limits opportunities for competition and innovation, making it less responsive to evolving needs and creating conditions for regulatory or program capture.



Approach to Design

- **Simplify the System:** By adopting a multiprovider approach, each component can be simplified and handled independently, making the system more adaptable and easier to manage.
- **Foster Innovation:** Different vendors competing for specific services promotes specialization and innovation, ultimately leading to a more efficient and effective ESA program.
- **Clarify the Relationship Between the Agency and Service Providers:** Often, administering agencies and providers are unclear about who is responsible for each component of an ESA platform, leading to confusion, capture, slow delivery of services, and inconsistent messaging to parents. By clearly delineating roles and responsibilities, this approach can streamline operations and enhance accountability.

The Current Approach: A Single-Provider System

Purpose

This section explores the limitations of the current single-provider approach employed by ESA service providers and program managers. This section aims to explain why this model is inherently flawed for managing ESA programs, highlighting how it limits flexibility, innovation, and responsiveness, ultimately hindering the program's ability to meet the diverse needs of families and students.

Single-Provider Approach Defined

In the context of ESA service provision, a single-provider approach refers to an all-encompassing system in which one party is responsible for managing all aspects of the ESA program. All functions—from application processing to customer service to financial management—are integrated into one overarching system. This model often appears in two forms: direct government agency management or third-party nonprofit oversight.

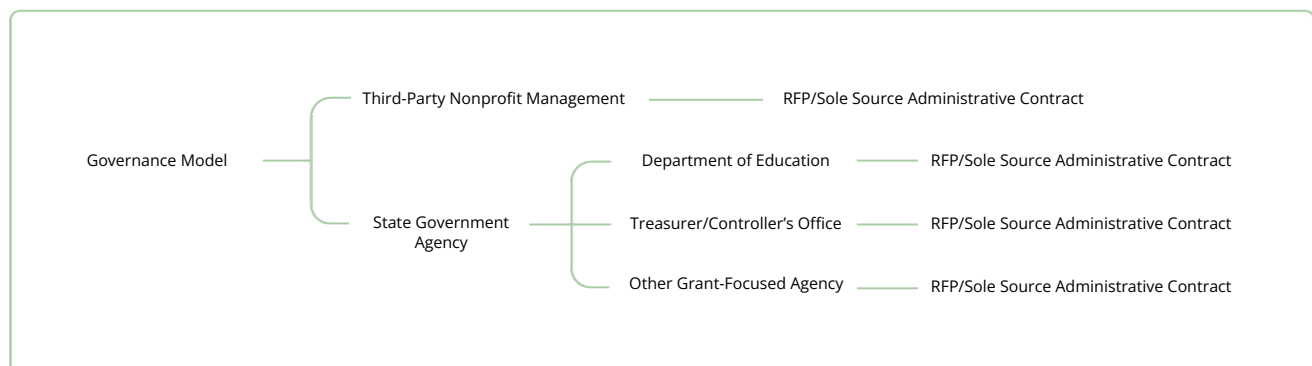
Government Agency Oversight

In this approach, ESA programs are managed directly by state agencies such as departments of education or treasurer's offices. These agencies issue RFPs to procure services, which results in either sole-source contracts or competitive bid contracts. The government-led model centralizes control, simplifying oversight but inherently limiting flexibility and responsiveness. This method creates a constrained framework in which one entity is granted the contract, restricting choice and adaptability.

Third-Party Nonprofit Management

Alternatively, some states delegate ESA management solely to an independent nonprofit. While leveraging the expertise, passion, and mission-driven focus of a nonprofit can have advantages, this policy can also lead to a monopolized management model. This stifles competition and ultimately constrains parents' ability to tailor educational choices to their children's unique needs.

Current Governance Framework



Challenges of the Single-Provider Model

A single-provider system poses significant challenges that hinder the effectiveness of ESA programs.

Lack of Flexibility: With a single vendor overseeing the entire operation, making changes to one part of the system often requires adjustments across the entire platform. This rigidity means that the ESA program struggles to adapt to evolving needs, new policies, or technological advances.

Vendor Lock-in: When one vendor controls all the technology and service functions, switching to a different provider becomes almost impossible without completely rebuilding the system. This reduces competitive pressure, leading to stagnation and fewer incentives for innovation.

Single Point of Failure: Since all functionalities are bundled into a single system, an issue in one part can cascade, affecting the entire ESA service delivery. This dependency heightens the risk of disruptions.

Scalability Limitations: Expanding or scaling services within a single provider framework becomes increasingly complex as more functions and features are added. This complexity can lead to performance issues and bottlenecks.

Limited Choice for Families: Both government and third-party nonprofit management approaches create a lack of competition, resulting in fewer options for families. When only one entity is responsible for all services, parents have limited avenues to seek solutions tailored to their child's educational needs.

View the “Single Provider Implementation Plan” at yeseverykidfoundation.org/esa-implementation-roadmap.

Microsystems & Services

Purpose

This section introduces and describes the multiple-provider approach as an alternative to the current single-provider model. This model breaks down ESA services into microservices: smaller, more specialized tasks for which companies can compete to provide. This section will discuss the potential benefits of this model, such as improved efficiency, higher quality of service, and increased opportunities for innovation among vendors.



The Multiple-Provider (Microservice) Approach

In contrast to the single-provider approach, a multiple-provider model breaks down the entire ESA service structure into smaller, independent components, often called microservices. Each component focuses on a specific function, such as application processing, payment handling, or customer support. Different vendors can specialize in different components, allowing for a highly flexible and adaptive system.

Feature	Single-Provider Approach	Multiple-Provider Approach
Vendor Involvement	Single provider managing all aspects	Multiple specialized providers
Flexibility	Limited, dependent on single vendor	Highly adaptable, modular changes
Innovation	Stifled by vendor lock-in	Encourages innovation through competition
Scalability	Difficult and complex	Easier, focused scaling of components
Risk	Single point of failure	Distributed risk across components

Benefits of the Multiple-Provider System Design

Scalability and Flexibility: Microservices allow for independent scaling of each service. If the application processing service needs to accommodate higher demand, resources can be allocated specifically to that service without affecting others.

Competition and Specialization: A microservice approach enables multiple vendors to compete for specific components of the ESA ecosystem. Specialized companies can focus on excelling in their niches, leading to better services overall.

Rapid Innovation: Unlike the single-provider model, microservices create an ecosystem in which companies continually strive to improve their specific components, driving rapid advancements and responsiveness.

Reduced Complexity and Improved Responsiveness: Smaller, independent services are easier to manage, update, and improve. This modularity means agencies can adopt new technologies or approaches quickly, improving the systems responsiveness to changes.

Multiple-Provider System Services

Below are examples of a multiple-provider approach to system architecture.

Feature	Microservices Approach
Application Management	EdTech Companies / Platform Providers
Customer Service	Customer Support Outsourcing Partners / State Agencies
Financial Transactions	Payment Processors / Banks / Platform Providers
Financial Management	Financial Technology Firms / Banks / Platform Providers
Improper Payment Monitoring	Compliance and Risk Management Specialists
Choice Navigation	Nonprofits/State Agencies / For-Profit Third-Parties
Outreach and Marketing	Marketing Agencies / State Agencies / Nonprofits / Parent Liaison Teams
Official Communications	State Agencies / Administrators
Administrative Review	State Agencies / Administrators
Contract Management	State Agency Legal Counsels / AG's Offices / Administrators
Enforcement	State Agencies with Referral to Law Enforcement Agency
Appeals	Administrative Law Judges / State Agencies
Policy Development	Stakeholder Committees / State Agencies / Legislatures
Rule Writing	Stakeholders / State Agency Policy Advisors

The Role of the Agency

Purpose

This section defines the essential role the agency plays in the shift from a single-provider to a multiple-provider model. It explains that the agency's role should be to set standards and provide a framework that enables a variety of companies to compete for specific ESA-related services. The agency would essentially create and maintain a flexible API that allows individual microsystems to interconnect seamlessly, ensuring efficient service delivery. This approach would position the agency as a regulator and facilitator of competition, rather than as a direct service provider.

Defining the Agency's Responsibilities

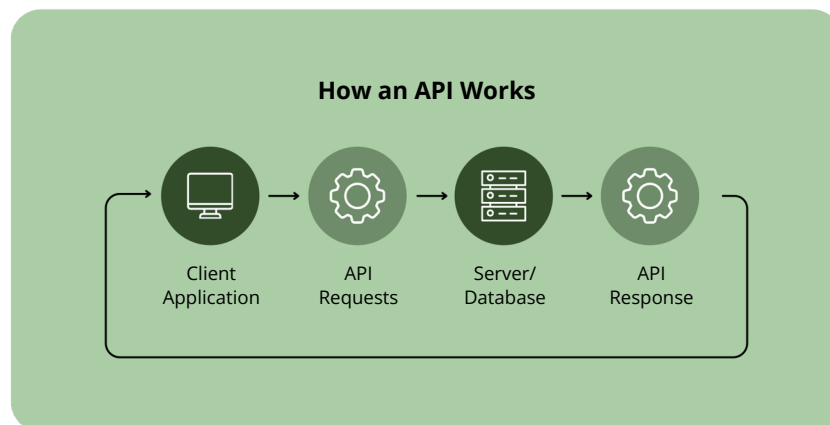
In a multiple-provider model, the agency's role evolves significantly. Rather than overseeing a single vendor responsible for all services, the agency must take on a new set of responsibilities to ensure that the system functions smoothly, efficiently, and fairly. The following are the agency's primary responsibilities.

Setting Standards for Vendor Participation

The agency must establish clear standards that vendors need to meet in order to participate in providing services to the ESA program. This includes compliance with data security regulations, quality benchmarks, and performance metrics. By setting these standards, the agency ensures consistency across all microsystems, facilitating a unified service experience for families.

Establishing and Maintaining an API Framework

To support a network of microsystems, the agency needs to create and maintain a flexible application programming interface (API). This API serves as the digital backbone that allows different components to interact seamlessly. For example, the financial management system needs to communicate effortlessly with the application processing system to track spending in realtime. By setting up and maintaining these APIs, the agency plays a key role in ensuring interoperability.



Creating a Competitive Environment

A key advantage of the multiple-provider approach is the opportunity for competition. The agency must facilitate this by establishing transparent and competitive procurement processes that allow vendors to bid for different components of the ESA ecosystem. This competition encourages innovation and helps drive down costs.

Regulatory Oversight and Quality Assurance

With multiple specialized providers handling different aspects of ESA services, the agency must monitor and enforce compliance with established standards. This oversight includes periodic audits, quality checks, and a regulatory framework that ensures every provider delivers services in accordance with program goals. This proactive oversight is crucial to maintaining trust in the system.

Managing Data Privacy and Security

Given that multiple vendors will now handle parts of the ESA system, data privacy and security become even more critical. The agency is responsible for ensuring that robust data protection protocols are in place and that vendors comply with these requirements. Ensuring that personal information of students and families is protected remains paramount.

Facilitating Vendor and Stakeholder Coordination

A well-functioning multiple-provider model requires effective communication between various stakeholders, including families, vendors, and educational institutions. The agency's role also involves the following.

Communication and Coordination

The agency should serve as a central point of contact for stakeholders, helping to coordinate interactions between different vendors and ensuring that families have clear, consistent information about the services they are receiving.

Conflict Resolution

With multiple providers managing different services, disputes may arise between vendors or between families and service providers. The agency should act as a mediator in these cases, providing conflict resolution processes to ensure that problems are addressed swiftly and fairly.

Impact on Agency's Relationship With Vendors and Families**Shift From Service Provider to Facilitator**

Traditionally, the agency's role has been that of a direct service provider or overseer of a single vendor managing the entire program. In the multiple-provider model, the agency acts more as a facilitator, establishing the environment in which several different vendors can operate and interact.

Empowering Families

By setting standards, maintaining oversight, and ensuring interoperability, the agency empowers families with more choice and better service. The agency's role ensures that the services provided by different vendors meet families' needs and that parents can navigate their options more effectively.

Conclusion

The shift to a multiple-provider model fundamentally changes the role of the agency from being a central service provider to becoming a regulator, standard-setter, and facilitator. This approach empowers multiple specialized vendors to deliver high-quality services, while the agency focuses on ensuring consistency, quality, and coordination across the entire ESA ecosystem. The successful implementation of this model relies heavily on the agency's ability to set up a competitive, flexible, and well-regulated environment that ultimately benefits the families and students the program serves.

Case Study: Implementing an Open Source API for ESA Programs

I. Introduction

ESA programs are crucial for providing families with flexible funding for education expenses. However, families and providers face challenges when state implementations rely on single-vendor platforms, which may create inefficiencies. Challenges may include:

- High transaction fees due to monopolistic control.
- Slow reimbursement processes, leading to delays in educational services.
- Lack of vendor competition, which limits innovation and better service for families.
- Administrative burden, as states rely on manual processes to approve and audit transactions.

This case study provides a detailed technical and operational roadmap for states to implement an open source API model, allowing multiple vendors to integrate into a centralized state-controlled financial system.

II. Current ESA Implementation Approach: The Single-Vendor Platform Model

States implementing ESA programs traditionally rely on a single vendor to manage and distribute funds, oversee spending rules, and process transactions. While this centralized model simplifies management for the state, it presents significant challenges, including:

- **Limited Flexibility:** Families must choose from a pre-approved list of vendors or navigate complex reimbursement processes.
- **High Transaction Fees:** A single vendor controls payments, leading to a “pay-to-play” environment with costly fees.
- **Lack of Competition:** The monopoly model disincentivizes innovation and creates poor user experiences for families.
- **Slow Processing Times:** Payments are often delayed, frustrating families who rely on these funds for educational services.
- **Risk of Vendor Lock-in:** States become dependent on one company, limiting flexibility for future improvements.

Impact on Families and Administrators

- Families experience restricted access to diverse educational resources, increased administrative burdens, and frustration with rigid processes.
- State administrators struggle with the following:
 - High operational costs.
 - Manual processes for approvals and audits.
 - Limited vendor accountability.
 - Data silos, which hinder effective reporting and oversight.

III. Seeking an Alternative: Open Source API Concept

What is an Open Source API?

An open source API is a state-managed software bridge that allows multiple vendors, banks, and educational platforms to interact with the ESA system in real time.

How It Works

- 1 State Creates a Central API Framework:** This is a secure interface where vendors and banks can send and receive data.
- 2 Vendors Register and Integrate:** Once approved, vendors use API endpoints to process payments, submit receipts, and verify student eligibility.
- 3 Families Interact via Any Approved Vendor:** Parents can access ESA funds instantly, removing the need for payment delays.
- 4 State Retains Full Control:** The central API logs all transactions, ensuring real-time oversight, compliance, and fraud prevention.

Key Benefits for the State

Eliminates Vendor Lock-in

Any vendor can apply to integrate.

Automates Financial Processing

This reduces manual approvals and reimbursements.

Enhances Oversight and Fraud Detection

State dashboards track all transactions in real-time.

Encourages Innovation and Better Service

Vendors compete to provide better platforms for families.

IV. The State's Role in Implementation

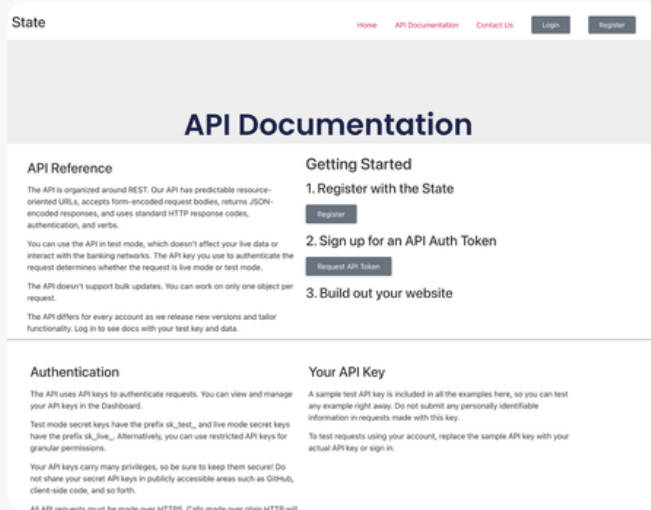
For the open source API model to work, the state must take ownership of the centralized API infrastructure while allowing third-party vendors to integrate their services. This approach requires technical planning, IT investment, and strategic policy decisions.

What the State Needs to Do

Step 1: Build the Central API System

- The state must develop a core API system that acts as a data hub for ESA transactions, vendor approvals, and financial tracking.

Step 1 (continued)



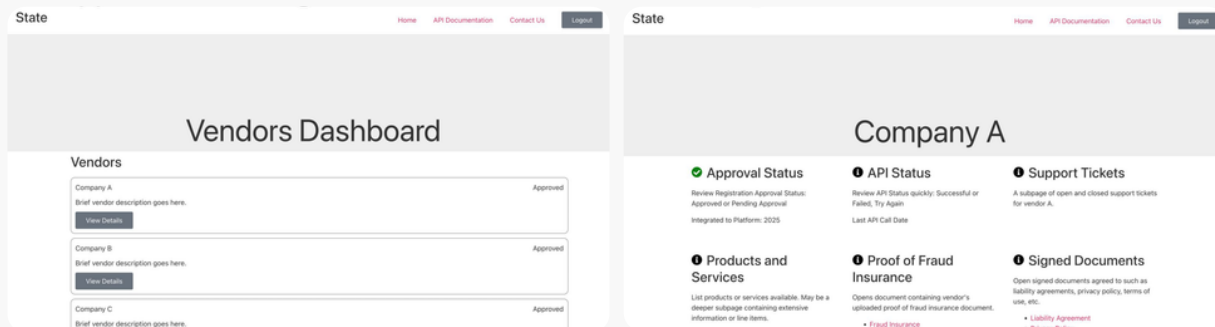
- This central API system must:
 - Authenticate vendors before allowing them access.
 - Track student ESA balances in real time.
 - Automate payments for approved expenses.
 - Provide dashboards for vendors, and administrators.

Step 2: Establish Banking Integration

- Partner with financial institutions to create state-managed ESA accounts.
- Ensure real-time API communication between banks and ESA platforms.
- Implement automated fund disbursement rules to prevent fraud.

Step 3: Create a Vendor Approval System

- Develop an approval framework where vendors:
 - Submit compliance documents via the API.
 - Get verified and approved before accessing student accounts.
 - Maintain transaction logs for auditing.



Step 4: Provide Developer Tools and API Documentation

- Publish API documentation that vendors can use to integrate.
- Offer sandbox environments for testing.

Step 5: Implement Real-Time Oversight and Auditing

- Use AI-driven fraud detection to monitor suspicious transactions.
- Generate real-time reports for legislative and administrative review.

Step 6: Launch Pilot Program and Scale Statewide

- Start with 2-3 vendors in a controlled test.
- Collect feedback, and refine the system.
- Expand statewide once stability is proven.

V. Technical Infrastructure

State-Managed API Infrastructure

An open source API system consists of three core components:

1. Front-End Interface (User Dashboards)

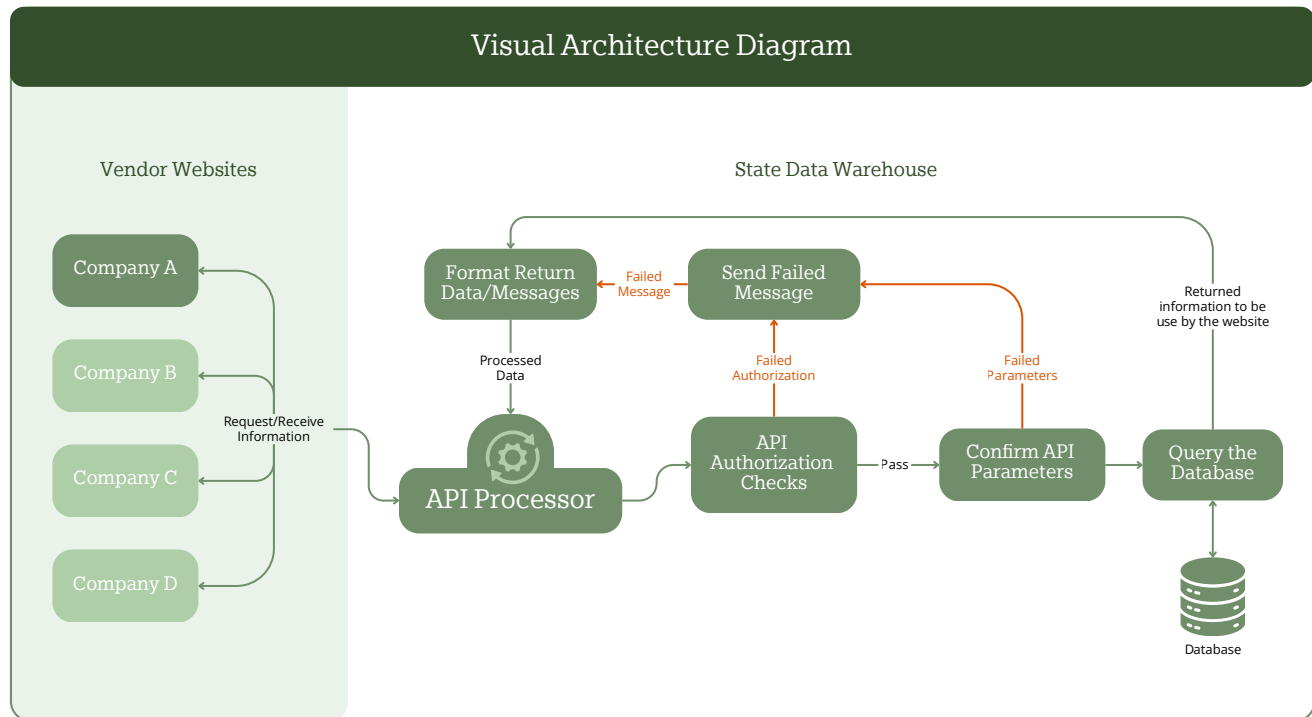
- Family Dashboard: Parents track ESA balances, spending history, and submit transactions.
- Vendor Dashboard: Vendors request API access, process payments, and submit receipts.
- Administrator Dashboard: State officials manage approvals, monitor spending, and run reports.

2. Middle Layer (API and Transaction Processing)

- API Authentication Layer: Vendors must use secure API keys & OAuth 2.0 authentication.
- Transaction Processing Engine: This validates, approves, and executes payments.
- Real-Time Data Syncing: ESA balances are automatically updated after each transaction.

3. Back-End (State Data Warehouse and Banking System)

- State-Managed ESA Database: This stores student balances, approved vendors, and audit logs.
- Financial Institution Integration: This feature connects with state banking APIs to execute payments and track fund usage.



API Technical Details

The API endpoints must be explicitly designed to handle:

- State-to-Vendor Data Exchange: Provides vendors with information from the state.
- Vendor-to-State Data Exchange: Requires vendors to supply information to the state.
- Secure Financial Transactions: Details how transactions are initiated, validated, and processed.
- Compliance and Oversight: Ensures all ESA transactions adhere to state regulations.

API Endpoints

Endpoints define where and how data is sent and received within the ESA system. Without clear endpoint specifications, vendors may not be able to submit expenses, retrieve student balance information, or verify their approval status effectively. This would lead to:

- Faster approvals (automating what is currently manual).
- Better transparency (real-time ESA balance checks).
- Reduced administrative burden (no need for manual vendor management).

Each endpoint must specify:

- Data Provided by the State: Information supplied by the API to vendors.
- Data Required from Vendors: Information vendors must submit for compliance, tracking, and payments.

API Endpoints Categories

1. State-Provided API Endpoints (Examples)

These endpoints ensure vendors can access student eligibility, balance, and compliance requirements.

Endpoint	Function	Data Provided by the State
GET /students/{id}	Retrieve student award information	ESA award amount, student eligibility
GET /vendors/{id}	Retrieve vendor approval status	Vendor authentication status, compliance history
GET /students/{id}/expenses	Fetch past transactions for a student	Transaction history, audit logs
GET /approved-services	Retrieve list of allowed ESA expenses	Approved expense categories
GET /state-banking-status	Check state banking system accessibility	API connection health, error codes

Example: Retrieve a Student's ESA Award Information

```

{
  "vendor_id": "000002",
  "vendor_name": "Company B",
  "mailing_address": "One Apple Park Way",
  "mailing_city": "",
  "mailing_state": "CA",
  "mailing_zip": "95014",
  "vendor_auth": "GwaPwgFIsx1I8GjX3ZaupyvEIuJjsp5B",
  "api_status_request": "Approved",
  "students": {
    "785890": {
      "link": "https://yeseverykidapi.wpenginepowered.com/wp-json/yes-kids/v1/student/785890",
      "full_name": "Hope Lovett",
      "first_name": "Hope",
      "last_name": "Lovett",
      "mailing_address": "224 Learning Way",
      "mailing_city": "Clearwater",
      "mailing_state": "FL",
      "mailing_zip": "32153",
      "primary_address": "224 Learning Way",
      "primary_city": "Clearwater",
      "primary_state": "FL",
      "primary_zip": "32153",
      "birthday": "7/11/19",
      "student_id": "785890",
      "current_vendor": "000002",
      "grant_info": {
        "current_year": "2025-2026",
        "current_year_amount": "3790",
        "current_year_grade": "Kindergarten",
        "grant_id": "897865623"
      }
    }
  }
}

```



Company B – Hope Lovett

Status

Approved

Awarded: \$3790
Amount Used: \$379.4
Remaining: \$3410.6

Thank you for your application. After careful review you have been approved for your scholarship. This amount will be updated to reflect your remaining total after purchases.

Expected Date of Fund Availability: Your award amount can now be used for ESA purchases.

❗ Why This Matters:

- Vendors need to verify student eligibility before processing a transaction.
- This ensures that families cannot overspend beyond their ESA allocation.

2. Vendor-Provided API Endpoints Examples (What Vendors Must Supply to the State)

These endpoints allow vendors to submit transactions, verify services, and report payment data.


Endpoint	Function	Data Required from Vendors
POST /expenses	POST /expenses	Student ID, service purchased, price, vendor ID
GET /vendor-transactions	Retrieve all vendor-initiated payments	Vendor ID, transaction history
POST /refund-request	Process vendor refund for ESA payment	Transaction ID, refund reason

Example: Vendor Submission of Transaction Data for Family and State Database

```
{
  "link": "https://yeseverykidapi.wpeenginepowered.com/wp-json/yes-kids/v1/student/901228",
  "full_name": "Lucy Harth",
  "first_name": "Lucy",
  "last_name": "Harth",
  "mailing_address": "2478 Stratford Drive",
  "mailing_city": "Perry",
  "mailing_state": "FL",
  "mailing_zip": "33697",
  "primary_address": "2478 Stratford Drive",
  "primary_city": "Perry",
  "primary_state": "FL",
  "primary_zip": "33697",
  "birthday": "10/8/16",
  "student_id": "901228",
  "current_vendor": "000001",
  "grant_info": {
    "current_year": "2025-2026",
    "current_year_amount": "8000",
    "current_year_grade": "3",
    "grant_id": "987654237"
  },
  "expenses": [
    {
      "expense_id": "2137921873",
      "place_purchased": "Amazon",
      "item": "Apple MacBook Air 13.3 inch Laptop - Gold, M1 Chip, Built for Apple Intelligence, 8GB RAM, 256GB storage",
      "price": "599.00",
      "purchase_date": "8/1/2025"
    },
    {
      "expense_id": "6497329221",
      "place_purchased": "Mike's Music Supply",
      "item": "Bellafina Sonata Violin Outfit 4/4 Size",
      "price": "329.99",
      "purchase_date": "8/12/2025"
    },
    {
      "expense_id": "6497329221",
      "place_purchased": "Priscilla's Music School",
      "item": "3 Month Music Lesson Program",
      "price": "170.009",
      "purchase_date": "8/12/2025"
    }
  ],
  "parents": [
    {
      "full_name": "Cindy Harth",
      "first_name": "Cindy",
      "last_name": "Harth",
      "mailing_address": "2478 Stratford Drive",
      "mailing_city": "Perry",
      "mailing_state": "FL",
      "mailing_zip": "33697",
      "primary_address": "2478 Stratford Drive",
      "primary_city": "Perry"
    }
  ]
}
```



Company A – Lucy Harth



Status
Approved
Awarded: \$8000
Amount Used: \$1098.999
Remaining: \$6901.001
Thank you for your application. After careful review you have been approved for your scholarship. This amount will be updated to reflect your remaining total after purchases.
Expected Date of Fund Availability: Your award amount can now be used for ESA purchases.

My Purchases

Apple MacBook Air 13.3 inch Laptop - Gold, M1 Chip, Built for Apple Intelligence, 8GB RAM, 256GB storage	-\$599.00
Vendor: Amazon Purchase Date: 8/1/2025 Price: \$99.00	
Bellafina Sonata Violin Outfit 4/4 Size	-\$329.99
3 Month Music Lesson Program	-\$170.009

! Why This Matters:

- Vendors must provide detailed transaction records for compliance.
- State monitoring can have real-time access to track that the transaction matches an approved ESA service.
- The student's remaining ESA balance is updated immediately.

3. Secure Payment Processing and Compliance Endpoint Examples

To ensure proper financial oversight, API endpoints must be connected to the state's banking system. This integration automates payments and ensures compliance.

Endpoint	Function	Data Required
POST /process-payment	Direct payment to vendor bank accounts	Student ID, vendor ID, amount, service type
GET /transaction-status/{id}	Check payment processing status	Transaction ID
POST /dispute-transaction	Flag a transaction for review	Transaction ID, reason for dispute

Example: Processing a Direct Vendor Payment

Request:

```
http
POST /process-payment
Authorization: Bearer <vendor_token>
{
  "student_id": 785890,
  "vendor_id": "Vendor A",
  "amount": "150.00",
  "service_type": "Tutoring"
}
```



Response from State API:

```
json
{
  "status": "success",
  "message": "Payment processed to Vendor A.",
  "transaction_id": "TXN-987654"
}
```

! Why This Matters:

- The system automates ESA fund transfers without manual processing delays.
- It creates a paper trail for compliance audits.

VI. State Implementation Roadmap

-  **Phase 1: Planning (0-3 months)**
 - Define program objectives and technical requirements.
 - Select technology stack (AWS, Azure, or state data center).
 - Secure stakeholders buy in.
 - Identify existing data sources.
 - Define data requirements.
-  **Phase 2: Development (4-9 months)**
 - Build API infrastructure and develop a portal.
 - Partner with financial institutions for bank API integration.
 - Create a testing sandbox for vendors.
-  **Phase 3: Vendor Onboarding and Testing (10-12 months)**
 - Approve initial pilot vendors.
 - Test real-time transactions and ESA tracking.
-  **Phase 4: Statewide Launch and Scaling (after 12 months)**
 - Expand vendor participation.
 - Train families and administrators.
 - Monitor system performance and fraud detection.

VII. Why States Should Move Forward

The open source API model empowers families, reduces administrative costs, and eliminates vendor monopolies while enhancing oversight. By transitioning to a state-managed ESA API, states can ensure:



Faster transactions



Lower fees



**Stronger real-time
monitoring functionality**



**More vendor competition
and family choice**

About the Authors



Heidie Nasset is **director of policy operations at yes. every kid. foundation.** She is a seasoned professional with a wealth of experience in education policy, advocacy, and administration. Heidie has played pivotal roles in organizations such as Arete Scholars and Step Up For Students, where she spearheaded initiatives to provide educational opportunities to children.



Aiden Fleming is **deputy director of policy operations at yes. every kid. foundation.** During his time at the Arizona Department of Education, Aiden worked primarily on school choice issues including open enrollment, dual-language immersion, and Empowerment Scholarship Accounts, becoming the first director of any such program in the country.




Whitney Marsh served as **director of policy operations at yes. every kid. foundation.** She is a native Arizonan and holds degrees from Arizona State University and Vanderbilt University's Peabody College of Education and Human Development.



Alice Kerce served as a **policy analyst at yes. every kid. foundation.** She holds a dual master's degree in public administration and nonprofit management from the University of Central Florida (UCF).

*The **yes. every kid. foundation.** implementation team supports government agencies in administering family-centered programs that promote education freedom by providing guidance on program design, capacity building, and research.*

The background is a solid light green color. It features several large, overlapping, organic shapes in various shades of green, ranging from a very light mint to a dark forest green. These shapes are positioned primarily in the top right and bottom left corners, creating a sense of depth and movement. The central area of the page is a uniform light green.

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