

HB 367-FN-LOCAL - AS INTRODUCED

2023 SESSION

23-0200

10/05

HOUSE BILL ***367-FN-LOCAL***

AN ACT relative to eligibility of students in the education freedom account program.

SPONSORS: Rep. A. Lekas, Hills. 38; Sen. Murphy, Dist 16

COMMITTEE: Education

ANALYSIS

This bill increases the household income level based on the federal poverty guidelines for the eligibility of students to participate in the education freedom account program.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~in brackets and struck through.~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Three

AN ACT relative to eligibility of students in the education freedom account program.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Education Freedom Accounts; Eligible Students; Federal Poverty Guidelines. Amend RSA
2 194-F:1, VI to read as follows:

3 VI. "Eligible student" means a resident of this state who is eligible to enroll in a public
4 elementary or secondary school and whose annual household income at the time the student applies
5 for the program is less than or equal to ~~[300]~~ **500** percent of the federal poverty guidelines as
6 updated annually in the Federal Register by the United States Department of Health and Human
7 Services under 42 U.S.C. section 9902(2). No income threshold need be met in subsequent years,
8 provided the student otherwise qualifies. Students in the special school district within the
9 department of corrections established in RSA 194:60 shall not be eligible students.

10 2 Effective Date. This act shall take effect 60 days after its passage.

**HB 367-FN-LOCAL- FISCAL NOTE
AS INTRODUCED**

AN ACT relative to eligibility of students in the education freedom account program.

FISCAL IMPACT: State County Local None

| STATE: | Estimated Increase / (Decrease) | | | |
|------------------------|----------------------------------|---|----------------------------------|--------------------------------|
| | FY 2023 | FY 2024 | FY 2025 | FY 2026 |
| Appropriation | \$0 | \$0 | \$0 | \$0 |
| Revenue | \$0 | \$0 | \$0 | \$0 |
| Expenditures | \$0 | Indeterminable | Indeterminable | Indeterminable |
| Funding Source: | <input type="checkbox"/> General | <input checked="" type="checkbox"/> Education | <input type="checkbox"/> Highway | <input type="checkbox"/> Other |

LOCAL:

| | | | | |
|---------------------|-----|----------------|----------------|----------------|
| Revenue | \$0 | \$0 | Indeterminable | Indeterminable |
| Expenditures | \$0 | Indeterminable | Indeterminable | Indeterminable |

METHODOLOGY:

This bill, presumed to be effective in FY 2024, increases the income eligibility requirement to access the Education Freedom Account (EFA) program from a student’s household income to be less than 300 percent of the federal poverty guideline to access this program to 500 percent. As of November 2022, 3,110 students were in the EFA program with an annualized cost estimated at \$15.2 million with the typical grant averaging \$4,900 per student. The average grant for the EFA program is higher than the traditional district cost of an adequate education grant of \$4,740, because the EFA program has income limits and participants are more likely to experience poverty that is documented.

The Department of Education states increasing the income requirement will result in an indeterminable number of new students accessing the program. The Department has provided the following information relative to the different situations in which a student may access the EFA program:

- Students accessing the program by going from the non-public or home education systems and entering the EFA program would likely result in a grant of \$4,740 for each student. The average grant size for these students would likely match the average grant provided to a district student. This would result in a net cost to the

state as these students accessed the program through proposed removal of income requirements. These costs could first be incurred beginning in FY 2024.

- Students leaving a charter public school would have a net cost savings of \$2,753 to the state; \$7,493 (current average charter school rate) – \$4,740 (average EFA) = \$2,753. These savings could first be incurred beginning in FY 2024.
- Student leaving a traditional district system would have a net cost to the state if the student left a community that had a statewide education property tax (SWEPT) grant in excess of the calculated cost of adequate education. This net cost would be around \$4,740 per student. The impact on state EFA payments could first be incurred beginning FY 2024, however impacts to adequacy payments to districts would not be first incurred until FY 2025 (as adequacy payments are made on previous year student counts).
- Students leaving a non-excess SWEPT community, which makes up approximately 95 percent of students in NH, would see the adequacy grant go the EFA program for educating the student instead of the school district. This would result in a net neutral cost to the state in adequacy grants and a decrease in local revenues. However, this would also result in a net cost to the state due to the EFA phase-out grant being paid. The EFA phase-out grant compensates districts at a rate of 75 cents on the dollar for any student leaving the district and going to the EFA program. Therefore, this grant would cost on average \$3,555 for each student leaving a district (75 percent of \$4,740). The impact on state EFA payments could first be incurred beginning FY 2024, however impacts to adequacy payments to districts would not be first incurred until FY 2025 (as adequacy payments are made on previous year student counts).

As students potentially leave traditional district schools and join the EFA program, districts may feel pressure to reduce their local expenditures to better fit the reduced population served. It is unknown the impact this would have on local expenditures, but this could potentially result in an indeterminable decrease.

AGENCIES CONTACTED:

Department of Education