2023 SESSION

23-0349
02/04

HOUSE BILL   *432-FN*

AN ACT   relative to participation in the education freedom accounts program.

SPONSORS: Rep. Luneau, Merr. 9; Rep. Heath, Hills. 41; Rep. Cascadden, Coos 5

COMMITTEE: Education

ANALYSIS

This bill requires annual determination of eligibility for awarding of education freedom account funds.

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　　　　　　　　Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

23-0349
02/04

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Three

AN ACT   relative to participation in the education freedom accounts program.

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

1   1 Education Freedom Accounts; Definition; Eligible Student. Amend RSA 194-F:1, VI to read as
2   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*, and for each school year during the student's participation,* is less than or
6   equal to 300 percent of the federal poverty guidelines as updated annually in the Federal Register by
7   the United States Department of Health and Human Services under 42 U.S.C. section 9902(2). [No
8   income threshold need be met in subsequent years, provided the student otherwise qualifies.]
9   Students in the special school district within the department of corrections established in RSA
10   194:60 shall not be eligible students.

11   2 Program Funds. Amend RSA 194-F:2, VII to read as follows:

12   VII. An EFA shall remain in force, and any unused funds shall roll over from quarter-to-
13   quarter [and from year-to-year] until the parent withdraws the EFA student from the EFA program*,*
14   *the student becomes ineligible,* or until the EFA student graduates from high school, unless the
15   EFA is closed because of a substantial misuse of funds. Any unused funds shall revert to the
16   education trust fund established in RSA 198:39 [and be allocated to fund other EFAs].

17   3 Effective Date. This act shall take effect July 1, 2023.

HB 432-FN- FISCAL NOTE
AS INTRODUCED

AN ACT   relative to participation in the education freedom accounts program.

FISCAL IMPACT: **[X] State**   **[   ] County**   **[X] Local**   **[   ] None**

	Estimated Increase / (Decrease)			
STATE:	**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:	[ ] General	[X] Education	[ ] Highway	[ ] Other

LOCAL:				
Revenue	$0	$0	Indeterminable	Indeterminable
Expenditures	$0	Indeterminable	Indeterminable	Indeterminable

METHODOLOGY:

This bill, effective FY 2024, requires an annual income eligibility determination to access the Education Freedom Account (EFA) program, which may decrease program participation. Under current law, income eligibility is only determined once (when first applying for the program). 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 requiring annual income eligibility determination will result in an indeterminable number of students falling out of the program. The Department has provided the following information relative to the different situations in which a student may access the EFA program:

- Students exiting the EFA program and going to non-public or home education option would likely result in a grant elimination of $4,740 for each student. This would result in a net savings to the state beginning in FY 2024.

- Students exiting the EFA program and going to a charter public school would have a net cost to the state of $2,753 to the state; $7,493 (current average charter school rate) – $4,740 (average EFA) = $2,753. This cost could first be incurred beginning in FY 2024.

- Students exiting the EFA program and enrolling in a traditional district system would have a net savings to the state of $4,740 if the student left a community that had a statewide education property tax (SWEPT) grant in excess of the calculated cost of adequate education. 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 enrolling in a school in a non-excess SWEPT community, which makes up approximately 95 percent of students in NH would result in a net neutral cost to the state in adequacy grants and an increase in local revenues. However, this would also result in net savings to the state due to the EFA phase-out grant not 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, there would be a savings on average of $3,555 for each student exiting the EFA program and enrolling a district school (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 the EFA program and enroll in traditional district schools, districts may feel pressure to increase their local expenditures to better fit the increased population served. It is unknown the impact this would have on local expenditures, but this could potentially result in an indeterminable increase.

AGENCIES CONTACTED:

Department of Education