

SB 295-FN - AS AMENDED BY THE SENATE

03/13/2025 0793s

2025 SESSION

25-0955

07/02

SENATE BILL **295-FN**

AN ACT relative to education freedom accounts.

SPONSORS: Sen. Sullivan, Dist 18; Sen. Gannon, Dist 23; Sen. Murphy, Dist 16; Sen. Innis, Dist 7; Sen. Avard, Dist 12; Sen. Pearl, Dist 17; Sen. Gray, Dist 6; Rep. McDonnell, Rock. 25; Rep. Noble, Hills. 2; Rep. Rice, Hills. 38; Rep. Notter, Hills. 12

COMMITTEE: Education Finance

AMENDED ANALYSIS

This bill:

I. Increases the number of students eligible for education freedom accounts by removing household income thresholds.

II. Removes certain conditions tied to education freedom account funds.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Five

AN ACT relative to education freedom accounts.

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

1 1 Education; Education Freedom Accounts; Definitions. 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 is less than or equal to 350 percent of the federal poverty guidelines as updated~~
6 ~~annually in the Federal Register by the United States Department of Health and Human Services~~
7 ~~under 42 U.S.C. section 9902(2). No income threshold need be met in subsequent years, provided the~~
8 ~~student otherwise qualifies]. Students in the special school district within the department of~~
9 corrections established in RSA 194:60 shall not be eligible students.

10 2 New Paragraphs; Education; Education Freedom Accounts; Application for an Education
11 Freedom Account. Amend RSA 194-F:3 by inserting after paragraph I the following new
12 paragraphs:

13 I-a. For the 2025-2026 fiscal year, and each fiscal year thereafter, total enrollment for the
14 education freedom account program shall be capped at 10,000. However, in any fiscal year when
15 student applications for the education freedom account program are equal to or greater than 90
16 percent of the total enrollment cap applicable to that fiscal year, the total enrollment cap shall
17 increase by 25 percent. The department shall publish on its website information identifying the
18 total enrollment cap when it is increased pursuant to this paragraph.

19 I-b. In any fiscal year, if student applications during the spring application window exceed
20 the program cap, priority shall be determined in the following order:

- 21 (a) A student currently enrolled in the EFA program;
- 22 (b) A sibling of a student currently enrolled in the EFA program;
- 23 (c) A child with disabilities as defined by RSA 186-C:2;
- 24 (d) A student whose family income is less than or equal to 350 percent of the federal
25 poverty guidelines as updated annually by the United States Department of Health and Human
26 Services under 42 U.S.C. section 9902 (2).

27 I-c. In any fiscal year, for students applying after June 30 during the fall application
28 window, only students who meet the priority categories as defined by RSA 194-F:3, I-b(b)-(d) are
29 eligible for pro-rated accounts. The scholarship organization shall prioritize current EFA students
30 for renewal in the spring by reserving space for them under that year's enrollment cap before
31 awarding new EFA accounts for fall applicants.

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1 3 Education; Education Freedom Accounts; Application for an Education Freedom Account.
2 Amend RSA 194-F:3, III(b) to read as follows:

3 (b) The student on whose behalf the parent is applying is an eligible student ***and meets***
4 ***the priority guidelines when applications exceed the enrollment cap.***

5 4 New Paragraph; Education; Education Freedom Accounts; Authority and Responsibilities of
6 the Scholarship Organization. Amend RSA 194-F:4 by inserting after paragraph IV the following
7 new paragraph:

8 IV-a. The scholarship organization shall establish and publicize no less than 2 deadlines by
9 which application forms must be submitted.

10 5 Effective Date. This act shall take effect 60 days after its passage.

**SB 295-FN- FISCAL NOTE
AS INTRODUCED**

AN ACT expanding the number of students eligible for education freedom accounts.

FISCAL IMPACT:

Estimated State Impact				
	FY 2025	FY 2026	FY 2027	FY 2028
Revenue	\$0	\$0	\$0	\$0
<i>Revenue Fund(s)</i>	None			
Expenditures*	\$0	Indeterminable		
<i>Funding Source(s)</i>	Education Trust Fund			
Appropriations*	\$0	Statutory Appropriation Under RSA 194-F:11 for Any Amount Necessary to Fund Program		
<i>Funding Source(s)</i>	Education Trust Fund			

*Expenditure = Cost of bill

*Appropriation = Authorized funding to cover cost of bill

Estimated Political Subdivision Impact				
	FY 2025	FY 2026	FY 2027	FY 2028
Local Revenue	\$0	Indeterminable		
Local Expenditures	\$0	Indeterminable		

METHODOLOGY:

This bill eliminates the income requirement for eligibility for the education freedom account (EFA) program. As of September 2024, 5,321 students were in the EFA program with an annualized cost estimated at \$27.7 million with the grant averaging \$5,204 per student. The average adequacy education grant (FY 2026 preliminary estimates as of November 15, 2024) to public district schools is \$7,108, which includes cost of an opportunity for an adequate education, and extraordinary needs and hold harmless grants. Students entering the program under this bill would likely receive a grant less than the current average, since the newly eligible population would not be eligible for free or reduced-priced meal (F&R) differentiated aid. It is estimated that the average EFA grant for the newly eligible population under this bill would be approximately \$4,419 (assuming 7% are eligible for special education differentiated aid).

The Department of Education states this bill will result in an indeterminable number of new students accessing the program. The following is information relative to the different situations in which a student may access the EFA program:

- Students accessing the program attending non-public schools or home education settings would likely receive an estimated average grant of \$4,419. This would be an increased cost to the state as these students currently do not receive any state support.
- Students leaving a charter public school would have a net cost savings to the state of \$5,098; approximately \$9,517 (current charter school per pupil rate based on 7% special education differentiated aid eligibility) – \$4,419 (average new EFA) = \$5,098.
- Students leaving a traditional district system would have a net cost to the state if the student left a community that has statewide education property tax (SWEPT) collections in excess of its calculated cost of an opportunity for an adequate education (“excess SWEPT”). The cost would be the average new EFA grant of \$4,419 per student.
- Students leaving a non-excess SWEPT community would see the adequacy grant go to the EFA program for educating the student instead of the school district. This should result in a net neutral cost to the state, as there would be cost for the EFA grant (\$4,419) and a decrease in local school district aid for the student (\$4,419). However, there would be a cost to the state due to the EFA phase-out grant being paid. The EFA phase-out grant compensates districts at a rate of 50 cents on the dollar in year one and 25 cents in year two, for the cost of an adequate education grant portion only for any student leaving the district and going to the EFA program. Therefore, this grant would cost on average \$2,209.50 for each student leaving a district (50 percent of \$4,419) in year one. Under current law, phase-out grants will terminate for new EFA students receiving an EFA effective July 1, 2026 (FY 2027).

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.

It should be noted, that under current law, EFA and charter school grants are paid based on current year enrollments, while district adequacy grants are paid based on the previous school year enrollments (one year lag).

AGENCIES CONTACTED:

Department of Education