

HB 1774-FN - AS INTRODUCED

2026 SESSION

26-2849
07/09

HOUSE BILL ***1774-FN***

AN ACT relative to qualifying scholarship granting organizations and programs of low-earning outcomes.

SPONSORS: Rep. Kofalt, Hills. 32; Rep. Morse, Merr. 3; Rep. Osborne, Rock. 2; Rep. Sweeney, Rock. 25; Rep. Miles, Hills. 12; Rep. Noble, Hills. 2; Rep. P. Brown, Rock. 14; Rep. Mattson, Ches. 18; Rep. Packard, Rock. 16; Rep. McDonnell, Rock. 25; Sen. Innis, Dist 7; Sen. Avar, Dist 12

COMMITTEE: Education Policy and Administration

ANALYSIS

This bill:

I. Directs the department of revenue administration to participate in the federal income tax credit for contributions of individuals to qualified scholarship granting organizations.

II. Directs the department of education to create a qualifying scholarship granting organizations list and establish rules to allow organizations to be added to the list.

III. Directs the governor to approve workforce training programs, in consultation with the state workforce innovation board, for federal Workforce Pell Grants.

IV. Prevents an institution of higher education in the state, or student attending an institution of higher education in this state from receiving state aid for any academic program that is determined to be a “low-earning outcome program”.

V. Requires the board of trustees of the university system of New Hampshire and the higher education commission to adopt rules to ensure that no state funds are appropriated, allocated, or expended for low-earning degree programs.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT relative to qualifying scholarship granting organizations and programs of low-earning outcomes.

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

1 1 New Paragraphs; The State and Its Government; General Provisions; Definitions. Amend
2 RSA 21-I:1-a by inserting after paragraph V the following new paragraphs:

3 VI. "Qualified scholarship granting organization" means a nonprofit organization that meets
4 the requirements of 26 U.S.C. section 25F.

5 VII. "Eligible school" means an elementary or secondary school allowed under RSA 193:1
6 and recognized in 26 U.S.C. section 530(b)(3)(B).

7 VIII. "Allowable uses of scholarship funds" means all elementary and secondary education
8 expenses allowed under 26 U.S.C. section 530(b)(3)(A).

9 IX. "Eligible workforce training programs" means programs that:

10 (a) Meet the requirements in 20 U.S.C. section 1088(b)(3)(A) and that prepare
11 participants for employment in industry sectors or occupations that require credentials beyond a
12 high school diploma;

13 (b) Earn above 150 percent of the federal poverty level for individual earners; or

14 (c) Are identified in state, regional, or local workforce development or labor market
15 projections as growing, emerging, or having projected shortages or hiring demand.

16 2 Department of Revenue Administration; Income Tax Credit Contribution Program. The
17 department of revenue administration, to the extent possible, shall participate in the federal income
18 tax credit for contributions of individuals to qualified scholarship granting organizations, beginning
19 in taxable years ending after December 31, 2026. The department shall automatically renew its
20 participation each subsequent taxable year. The department shall adopt rules, pursuant to RSA
21 541-A, relative to its participation in the federal income tax credit for contributions of individuals to
22 qualified scholarship granting organizations.

23 3 Department of Education; Qualifying Scholarship Granting Organizations List. The
24 department of education shall create a qualifying scholarship granting organizations list and
25 establish rules, pursuant to RSA 541-A, to allow organizations to be added to the qualifying
26 scholarship granting organizations list. The department shall work with the department of revenue
27 administration to ensure the organizations are added to the list pursuant to the department of
28 education's rulemaking procedures.

29 4 Department of Education; Publication List. The department of education shall:

1 I. Submit a list of qualifying scholarship granting organizations to the Secretary of the
2 Treasury of the United States;

3 II. Publish a list of qualified scholarship granting organizations on its website; and

4 III. Certify to the general court that it has submitted the list required under paragraph I to
5 the Secretary of the Treasury of the United States.

6 5 State Workforce Innovation Board; Workforce Training Program Approval. The governor shall
7 approve workforce training programs, in consultation with the state workforce innovation board, for
8 federal Workforce Pell Grants, if such grants satisfy the requirements of 20 U.S.C. section 1070a.
9 The state workforce innovation board may adopt rules, pursuant to RSA 541-A, for the purpose of
10 approving workforce training programs.

11 6 State Workforce Innovation Board; Approval of Funds. The state workforce innovation board
12 shall create rules, pursuant to RSA 541-A, to establish a transparent process for institutions to apply
13 for approval, and to appeal denial, of funds under its control. The approval and appeal processes
14 shall be modeled, to the extent possible, after the Workforce Innovation and Opportunity Act under
15 29 U.S.C. section 3101 and the Carl D. Perkins Career and Technical Education Act under 20 U.S.C.
16 section 2301.

17 7 State Workforce Innovation Board; Data Report. Providers of eligible workforce training
18 programs shall provide reliable data, as determined by the state workforce innovation board,
19 demonstrating program outcomes, including program completion rates, job placement rates, and
20 earnings pursuant to 20 U.S.C. section 1088(b)(4), to the state workforce innovation board.

21 8 Prohibition on State Aid to Programs of Low-Earning Outcomes. No institution of higher
22 education in the state, or student attending an institution of higher education in this state, shall
23 receive, either directly or indirectly, state aid for any academic program that is determined to be a
24 “low-earning outcome program” under 20 U.S.C. section 1087d(e).

25 9 University System of New Hampshire; Higher Education Commission; Rulemaking Directive.
26 The board of trustees of the university system of New Hampshire and the higher education
27 commission shall adopt rules, pursuant to RSA 541-A, to ensure that no state funds are
28 appropriated, allocated, or expended for low-earning degree programs under 20 U.S.C. section
29 1087d(c). Rules adopted pursuant to this directive shall address individual student financial aid,
30 base operational or instructional funding, separately appropriated aid or grants, and capital funding.

31 10 University System of New Hampshire; Higher Education Commission; Report. The board of
32 trustees of the university system of New Hampshire and the higher education commission shall
33 provide a report documenting programs that have been disqualified from state aid as a result of the
34 university system's and higher education commission's rulemaking, what steps were taken to enforce
35 the disqualifications, and how much state funding was redirected or saved due to the
36 disqualifications. The report shall be submitted to the speaker of the house of representatives, the

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1 president of the senate, the house clerk, the senate clerk, the governor, and the state library on or
2 before November 1.

3 11 Effective Date. This act shall take effect January 1, 2027.

**HB 1774-FN- FISCAL NOTE
AS INTRODUCED**

AN ACT relative to qualifying scholarship granting organizations and programs of low-earning outcomes.

FISCAL IMPACT:

Estimated State Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
Revenue	\$0	Indeterminable		
<i>Revenue Fund(s)</i>	General Fund, Education Trust Fund, USNH Revenue, CCSNH Revenue			
Expenditures*	\$0	Indeterminable		
<i>Funding Source(s)</i>	General Fund			
Appropriations*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

***Expenditure = Cost of bill**

***Appropriation = Authorized funding to cover cost of bill**

The Office of Legislative Budget Assistant is unable to provide a complete fiscal note for this bill as it is awaiting information from the Department of Education. The Department was initially contacted on 11/19/25 for a fiscal note worksheet, with follow-up contact made on 12/05/25. When completed, the fiscal note will be forwarded to the House Clerk's Office.

METHODOLOGY:

This bill would add definitions to RSA Chapter 21-I, which is applicable to the Department of Administrative Services. It would also require the Department of Education, the Department of Revenue Administration (DRA), the Governor, the State Workforce Innovation Board, and the University System of New Hampshire to undertake various activities designed to take advantage of federal programs and funding for education and workforce development.

Department of Revenue Administration (DRA)

Section 2 of this bill provides that DRA shall “to the extent possible. . .participate in the federal income tax credit for contributions of individuals to qualified scholarship granting organizations beginning in taxable years ending after December 31, 2026.” DRA assumes this reference is intended to apply to years ending on or after December 31, 2026, i.e. tax year 2026. DRA is further required to automatically renew its participation each subsequent taxable year, and to adopt rules related to its participation. DRA understands these requirements to refer to Section

70411 of P.L. 119-21, a/k/a the One, Big, Beautiful Bill Act (OBBBA) which has been codified as 26 U.S.C. Section 25F. The Department of Treasury and the Internal Revenue Service (IRS) have recently announced their intent to issue regulations to implement this new individual tax credit provision and have requested public comments by December 26, 2025. At this time, and until implementation regulations are issued, DRA is unsure whether and to what extent it might be possible for it to participate as directed or advisable for the state to do so.

To the extent DRA (or the Governor) makes a voluntary election to participate, it is DRA's understanding that the tax credit for "qualified contributions" of up to \$1,700 per tax year would be available to be claimed by individuals on their federal tax returns, and would be reduced by the amount "allowed as a credit on any State tax return of the taxpayer." It is possible that this could apply to New Hampshire business tax returns filed by individual proprietors, where there is currently available an education tax credit under RSA 77-G of up to \$510,000 per year, available to be carried forward for five additional years. The qualifying conditions with respect to scholarship organizations for both programs are similar enough that donations made in New Hampshire would likely qualify under either program.

It is not clear to DRA whether, for the state credit to be considered "allowed" for federal reduction purposes, the credit must be claimed and/or utilized by the taxpayer. Depending upon the relative federal and state tax liabilities of individual taxpayers, it is possible that taxpayers might benefit by not claiming state credit and claiming federal credit (or vice versa) in a given year, and this might vary from year to year. It is also unclear how carryforward provisions would work under these scenarios.

It is possible, but too early to tell whether participation in the federal tax credit would complicate administration of the State credit, due to the need to reconcile availability and utilization in the event a donation was to qualify under both programs.

DRA states, for now, this bill would not result in any additional administrative costs that could not be absorbed in the DRA operating budget. The fiscal impact of the proposed legislation would be a possible indeterminable increase to the general and education trust funds in the form of increased business tax revenues due to credits being claimed at the federal rather than state level. DRA is unable to quantify the impact due to a lack of understanding about the federal program and how it would interact with the state program, and how taxpayer behavior might change.

Department of Business and Economic Affairs (DBEA)

This bill affects DBEA, specifically the Office of Workforce Opportunity (“OWO”) and its state workforce innovation board (“SWIB”) in the following ways:

- SWIB would consult with the Governor to approve workforce training programs for federal Workforce Pell Grants.
- SWIB may adopt rules for approving workforce training programs.
- SWIB shall adopt rules, based on the Workforce Innovation and Opportunity Act, to establish a transparent process for the approval and appeal of denials of funds under its control.
- SWIB, working with OWO, shall create data reports based upon information from eligible workforce training programs.

OWO anticipates an indeterminate expenditure to the state but believes the range will be between \$500,000 and \$1,000,000 in FY 2027, and between \$100,000 and \$500,000 in FY 2028 and beyond. This is based on the following assumptions from OWO and SWIB to implement the requirements of the proposed bill effectively and to ensure compliance:

- Staffing Capacity – Administration of this program will require at least one (1) new full-time position to manage ongoing operations, coordinate with education and training providers, oversee eligibility and reporting, and ensure alignment with existing federal and state requirements. The position needed would be a Miscellaneous Business Operations Specialist (SOC:13-1190), Level 5, Pay Band 6, which begins at \$28.74/hour. This does not factor in benefits. This would be a full-time position.
- Office Space and Infrastructure – Adding staff will likely require additional office space and related infrastructure to support program operations. There would also be initial start-up costs such as a laptop, supplies, and other costs.
- Third-Party Implementation Support: OWO anticipates needing a third-party vendor to assist with initial program setup, workflow design, and system integration. However, the cost of this support is indeterminable at this time, as it will depend on final program requirements, system specifications, and the scope of work established. If allowed, a competitive RFP process would be utilized to find a qualified vendor. It is expected this expense will be contained within FY 2027.
- Job Management System Integration – New Hampshire currently uses the NH Job Match System (JMS), developed and maintained by Geographic Solutions, to support workforce programs including WIOA Title I (Adult, Dislocated Worker, Youth) and Title III Wagner-Peyser. JMS allows individuals to self-register for career services, access

case management, explore training opportunities via the Eligible Training Provider List (ETPL), and enables businesses to post job openings. JMS is a Modifiable Off-The-Shelf (MOTS) solution, designed for flexibility to meet state-specific requirements. Enhancements to accommodate Workforce Pell requirements would leverage the existing system, making this the most cost-effective and programmatically efficient approach. Staff, particularly within OWO, are already familiar with JMS, reducing training needs and supporting seamless implementation. The existing Job Match System (JMS) contract will require expansion to accommodate new data elements, reporting requirements, and system functionality associated with Workforce Pell. This will result in increased contract costs. The cost determination is indeterminable, but could be in the range of a one-time purchase of between \$150,000 and \$250,000, and possibly an annual fee. It is possible this purchase would need to go through the Governor and Executive Council process.

University System of New Hampshire (USNH)

Specific to the sections of this bill impacting USNH, it has provided the following assumptions:

- The designation of “low-earning outcome program” status would be made by the U.S. Department of Education (or other authorized federal agency) according to 20 U.S.C. section 1087d(c), whereby the median earnings of a program’s bachelor’s degree completers must exceed the median earnings of adults in the state aged 25-34 whose highest education is a high school diploma. Graduate student earnings would likewise be measured against median bachelor’s degree earnings. According to the federal law, failure to meet the earnings premium standard would result in a “low-earning” program designation, triggering a disclosure requirement and potential loss of program federal student loan eligibility. According to the state law, USNH would be prohibited from using any form of state funding to support such programs or the students enrolled therein.
- The ambiguity in the bill’s language regarding state aid received “directly or indirectly” would need to be defined in the rulemaking process and could include prohibiting the use of all state-funded facilities by students enrolled in “low-earning” programs. The definition could be a major driver of the impact on USNH enrollment and operating revenue.
- With adults aged 25-34 in NH having the highest median annual earnings in the U.S. (\$37,850) according to the Federal Register, there is strong possibility that certain programs may fail to meet the earnings premium standard, in particular those in the

arts and humanities, education, hospitality, allied health, and social services. (<https://www.federalregister.gov/documents/2024/12/31/2024-31271/financial-value-transparency-and-gainful-employment-earnings-thresholds-for-calculation-year-2024>)

- Because the state’s general appropriation is used to subsidize in-state tuition for all NH residents, an increased program differential rate would be instituted for designated “low-earning” programs, comparable to the rate charged to out-of-state students (e.g., the UNH 2025-26 undergrad resident tuition rate is \$15,908; nonresident tuition is \$37,070.) This would significantly suppress the enrollment of NH residents and reduce tuition revenue.
- Presuming that such designated programs would be further adversely impacted by federal disclosure requirements and/or loan ineligibility, there is a high probability that USNH institutions would consider discontinuing programs that may serve critical, albeit lower-paying, workforce needs, compelling students to enroll in other institutions that offer their program of choice.

USNH states the fiscal impact of the legislation is expected to produce an indeterminable and significant reduction in operating revenue for the University System beginning in FY 2027 and ongoing resulting from decreased enrollment. It is not possible to narrowly estimate a range of impact given the unknown parameters that would influence the impact, including the specific rules to be determined and the occupational supply and demand that drive median wages at a given point in time. USNH anticipates a potential broad range of reduced operating revenue, from \$500,000 to more than \$2.5 million, depending on the definitions and parameters determined through the rule-making process. Decreased revenue resulting from compliance with the state law would necessitate increases in USNH tuition and/or mandatory fee rates and/or a reduction in financial aid from institutional resources for all students – not only those enrolling in a designated “low-earning” degree program.

Community College System of New Hampshire (CCSNH)

Specific to the sections of this bill impacting CCSNH, it has provided the following assumptions and potential impacts:

- This bill authorizes the Governor and State Workforce Innovation Board (SWIB) to approve workforce training programs as eligible for federal Workforce Pell grants, and require institutions to provide certain data to the SWIB.
 - Federal law establishing Workforce Pell grants authorizes the Governor, in conjunction with state workforce boards to determine program eligibility for grant funds. This bill states specifically that in New Hampshire this will be the

responsibility of the Governor in conjunction with the SWIB and involve the creation of administrative rules. CCSNH foresees a timing issue that would have a fiscal impact: Workforce Pell grants are effective July 1, 2026. It is unclear how long the rules process will take after this bill is enacted. CCSNH plans to have programs ready to enroll participants immediately upon the effective date of the federal program and to seek approval from the Governor to launch programs in alignment with that date. The rulemaking process set forth in the bill is likely to significantly delay CCSNH's ability to enroll students in short-term workforce training programs under this grant program. This would result in a loss of revenue.

- This bill prohibits state funds from supporting programs with low-earning outcomes as defined/referenced in the bill, require the NH Higher Education Commission (HEC) and the University System of New Hampshire (USNH) Board of Trustees to develop Administrative Rules to establish procedures to ensure compliance, and require a report on such program disqualifications. CCSNH is unsure whether any rules established by the HEC and USNH Board would apply to CCSNH programs. CCSNH would need clarification of this since it would impact its statement of fiscal impact.

CCSNH seeks clarification of the definition of “eligible workforce training programs” (EWTP). In the bill, the definition of EWTP includes programs that “are identified in state, regional, or local workforce development or labor market projections as growing, emerging, or having projected shortages or hiring demand.” However, later in the bill, this labor market need inclusion seems to be absent, which if intentional would preclude high-need but low-wage programs such as Early Childhood Education and other programs with entry-level wages that do not meet the threshold but that position graduates for future advancement. CCSNH's response, relative to fiscal impact associated with this section, is pending clarification of questions raised. If CCSNH would be required to stop offering programs deemed “low-learning outcome” programs, CCSNH would face a fiscal impact including loss of revenue and costs of closing programs.

AGENCIES CONTACTED:

Department of Education, Department of Revenue Administration, Department of Business and Economic Affairs, University System of New Hampshire, and Community College System of New Hampshire