

SB 295-FN - AS INTRODUCED

2025 SESSION

25-0955

07/02

SENATE BILL

***295-FN***

AN ACT

expanding the number of students eligible for education freedom accounts.

SPONSORS:

Sen. Sullivan, Dist 18; Sen. Gannon, Dist 23; Sen. Murphy, Dist 16; Sen. Innis, Dist 7; Sen. Avar, 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

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ANALYSIS

This bill increases the number of students eligible for education freedom accounts by removing household income thresholds.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Twenty Five*

AN ACT                   expanding the number of students eligible for 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 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     |
| Revenue Fund(s)        | None                 |                                                                                     |         |         |
| Expenditures*          | \$0                  | Indeterminable                                                                      |         |         |
| Funding Source(s)      | Education Trust Fund |                                                                                     |         |         |
| Appropriations*        | \$0                  | Statutory Appropriation Under RSA 194-F:11 for Any Amount Necessary to Fund Program |         |         |
| Funding Source(s)      | 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 |
| <b>Local Revenue</b>                   | \$0     | Indeterminable |         |         |
| <b>Local Expenditures</b>              | \$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