

HB 20-FN-A-LOCAL - AS INTRODUCED

2021 SESSION

21-0751

06/04

HOUSE BILL ***20-FN-A-LOCAL***

AN ACT establishing the Richard "Dick" Hinch education freedom account program.

SPONSORS: Rep. Packard, Rock. 5; Rep. McGuire, Merr. 29; Rep. Ladd, Graf. 4; Rep. Osborne, Rock. 4; Rep. Cordelli, Carr. 4; Rep. Hill, Merr. 3; Rep. Mooney, Hills. 21; Rep. Edwards, Rock. 4; Rep. Umberger, Carr. 2; Sen. Bradley, Dist 3; Sen. Ward, Dist 8; Sen. Reagan, Dist 17; Sen. Morse, Dist 22

COMMITTEE: Education

ANALYSIS

This bill establishes the Richard "Dick" Hinch education freedom account program.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT establishing the Richard "Dick" Hinch education freedom account program.

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

1 1 This act shall be known as the "Education Freedom Account Act" or "EFA Act." The program
2 created by it shall be known as the "Education Freedom Account Program" or "EFA Program."

3 2 New Chapter; Education Freedom Accounts. Amend RSA by inserting after chapter 194-D the
4 following new chapter:

5 CHAPTER 194-E

6 EDUCATION FREEDOM ACCOUNTS

7 194-E:1 Definitions. In this chapter:

8 I. "Adequate education grant" means the grant calculated under RSA 198:41.

9 II. "Curriculum" means the lesson and academic content taught in a specific course,
10 program, or grade level.

11 III. "Department" means the department of education.

12 IV. "Education freedom account" or "EFA" means the account to which funds are allocated
13 by the scholarship organization to the parent of an EFA student in order to pay for qualifying
14 education expenses to educate the EFA student pursuant to the requirements and conditions of this
15 chapter.

16 V. "Education service provider" means a person or organization that receives payments from
17 education freedom accounts to provide educational materials and services to EFA students.

18 VI. "Eligible student" means a resident of this state who is eligible to enroll in a public
19 elementary or secondary school including;

20 (a) A student currently attending a New Hampshire school that is remote or hybrid;

21 (b) A student currently assigned to a New Hampshire public school with assessment
22 proficiency below 40 percent;

23 (c) A student currently attending a New Hampshire public school, including a chartered
24 public school, public academy, or nonpublic school;

25 (d) A kindergarten or first grade student; or

26 (e) A sibling of a student with an education freedom account.

27 (f) Students in the special school district within the department of corrections
28 established in RSA 194:60 shall not be eligible students.

29 VII. "EFA student" means an eligible student who is participating in the EFA program.

30 VIII. "Full-time" means more than 50 percent of instructional time.

31 IX. "Remote or hybrid" shall mean any public school that is not providing instruction in-

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1 person where the student or the educator are not physically present in the traditional classroom due
2 to full-time or part-time classroom closure.

3 X. "Parent" means a biological or adoptive parent, legal guardian, custodian, or other person
4 with legal authority to act on behalf of an eligible EFA student.

5 XI. "Program" means the education freedom account program established in this chapter.

6 XII. "Scholarship organization", means a scholarship organization approved under RSA
7 77:G, that will implement all portions of this chapter.

8 XIII. "Treasurer" means the treasurer of the state of New Hampshire.

9 194-E:2 Program.

10 I. The treasurer shall transfer to the scholarship organization the per pupil adequate
11 education grant amount pursuant to RSA 198:40-a, plus any differentiated aid that would have been
12 provided to a public school for the eligible student. The transfers shall be made in accordance with
13 the distribution of adequate education grants under RSA 198:42.

14 II. Parents of an EFA student shall agree to use the funds deposited in their student's EFA
15 for the following qualifying expenses to educate the EFA student:

16 (a) Tuition or fees, or both, at a private school.

17 (b) Tuition or fees, or both, for non-public online learning programs.

18 (c) Tutoring services provided by an individual or a tutoring facility.

19 (d) Services contracted for and provided by a public school district, chartered public
20 school, or public academy, or independent school, including, but not limited to, individual classes and
21 curricular activities and programs.

22 (e) Textbooks, curriculum, or other instructional materials, including, but not limited to,
23 any supplemental materials or associated online instruction required by either a curriculum or an
24 education service provider.

25 (f) Computer hardware, Internet connectivity, or other technological services and
26 devices, that are used to help meet an EFA student's educational needs.

27 (g) Educational software and applications.

28 (h) School uniforms.

29 (i) Fees for nationally standardized assessments, advanced placement examinations,
30 examinations related to college or university admission or awarding of credits and tuition or fees, or
31 both, for preparatory courses for such exams.

32 (j) Tuition or fees, or both for summer education programs and specialized education
33 programs.

34 (k) Tuition, fees, instructional materials, and examination fees at a career or technical
35 school.

36 (l) Educational services and therapies, including, but not limited to, occupational,
37 behavioral, physical, speech-language, and audiology therapies.

1 (m) Tuition and fees at an institution of higher education.

2 (n) Fees for transportation paid to a fee-for-service transportation provider for the
3 student to travel to and from an education service provider.

4 (o) Any other educational expense recommended by the scholarship organization and
5 approved by the department.

6 III. The scholarship organization shall provide to the parents an explanation of the reasons
7 for a denied expense.

8 IV. Any refund or rebate for goods or services purchased with EFA funds shall be credited
9 directly to the student's EFA.

10 V. Parents will be allowed to make payments for the costs of educational goods and services
11 not covered by the funds in their student's EFA. However, personal deposits into an EFA shall not
12 be permitted.

13 VI. Funds deposited in an EFA do not constitute taxable income to the parent or the EFA
14 student.

15 VII. An EFA shall remain in force, and any unused funds shall roll over from quarter-to-
16 quarter and from year-to-year until the parent withdraws the EFA student from the EFA program or
17 until the EFA student graduates from high school, unless the EFA is closed because of a substantial
18 misuse of funds. Any unused funds shall revert to the state treasury and be allocated to fund other
19 EFAs.

20 VIII. Nothing in this chapter shall be construed to require that an EFA student be enrolled,
21 full- or part-time, in either a private school or nonpublic online school.

22 194:E-3 Application for an Education Freedom Account.

23 I. A parent may apply to the scholarship organization to establish an EFA for an eligible
24 student. The scholarship organization shall accept and approve complete applications for the fall
25 and spring semesters each year and shall establish procedures for approving applications in an
26 expeditious manner.

27 II. The scholarship organization shall create a standard form that parents can submit to
28 establish their student's eligibility for the EFA program and shall ensure that the application is
29 publicly available and may be submitted through various sources, including the Internet.

30 III. The scholarship organization shall approve an application for an EFA if:

31 (a) The parent submits an application for an EFA in accordance with any application
32 procedures established by the scholarship organization and approved by the department.

33 (b) The student on whose behalf the parent is applying is an eligible student.

34 (c) Funds are available for the EFA.

35 (d) The parent signs an agreement with the scholarship organization:

36 (1) To provide an education for the eligible student in the core knowledge domains that
37 include science, mathematics, language, government, history, health, reading, writing, spelling, the

1 history of the constitutions of New Hampshire and the United States, and an exposure to and
2 appreciation of art and music.

3 (2) Not to enroll the eligible student as a full-time student in a public school while
4 participating in the EFA program.

5 (3) To use the funds in the EFA only for qualifying expenses to educate the eligible
6 student as established by the EFA program; and

7 (4) To comply with the rules and requirements of the EFA program.

8 IV. The signed agreement between the parent and the scholarship organization shall satisfy
9 the compulsory school attendance requirements of RSA 193:1.

10 V. The scholarship organization shall provide the parent and the department with copies of
11 approved applications.

12 VI. The parent may appeal a denied application to the department.

13 VII. The scholarship organization shall annually renew a student's EFA if funds are
14 available.

15 VIII. Upon notice to the scholarship organization, an EFA student may choose to stop
16 receiving EFA funding and enroll full-time in a public school.

17 (a) Enrolling as a full-time student in the resident district public school shall result in
18 the immediate suspension of payment of additional funds into the student's EFA. However, for
19 EFAs that have been open for at least one full school year, the EFA shall remain open and active for
20 the parent to make qualifying expenditures to educate the student from funds remaining in the EFA.
21 When no funds remain in the student's EFA, the scholarship organization may close the EFA.

22 (b) If an eligible student decides to return to the EFA program, payments into the
23 student's existing EFA may resume if the EFA is still open and active. A new EFA may be
24 established if the student's EFA was closed.

25 194:E-4 Authority and Responsibilities of the Scholarship Organization. In addition to the
26 scholarship organization's duties, obligations, and authority under this chapter, the scholarship
27 organization shall have the following additional duties, obligations, and authority:

28 I. The scholarship organization shall maintain an updated list of education service providers
29 and shall ensure that the list is publicly available through various sources, including the Internet.

30 II. The scholarship organization shall provide parents with a written explanation of the
31 allowable uses of EFA funds, the responsibilities of parents, and the duties of the scholarship
32 organization and the role of any organizations that the scholarship organization may contract with
33 to administer any aspect of the EFA program.

34 III. The scholarship organization shall ensure that parents of students with disabilities
35 receive notice that participation in the EFA program is a parental placement under 20 U.S.C. section
36 1412, Individuals with Disabilities Education Act (IDEA), along with an explanation of the rights
37 that parentally placed students possess under IDEA and any applicable state laws.

1 IV. The scholarship organization shall, in cooperation with the department, determine
2 eligibility for differentiated aid subject to any applicable state and federal laws.

3 V. The scholarship organization may withhold from deposits or deduct from EFAs an
4 amount to cover the costs of administering the EFA program, up to a maximum of 10 percent
5 annually.

6 VI. The scholarship organization shall implement a commercially viable system for payment
7 of services from EFAs to education service providers by electronic or online funds transfer.

8 (a) The scholarship organization shall not adopt a system that relies exclusively on
9 requiring parents to be reimbursed for out-of-pocket expenses, but rather shall provide maximum
10 flexibility to parents by facilitating direct payments to education service providers as well as
11 requests for pre-approval of and reimbursements for qualifying expenses, including expenses
12 pursuant to section 194:E:3, II.

13 (b) A scholarship organization may contract an organization to develop the payment
14 system.

15 VII. The scholarship organization may also seek to implement a system for parents to
16 publicly rate, review, and share information about education service providers, ideally as part of the
17 same system that facilitates the electronic or online funds transfers.

18 VIII. If an education service provider requires partial payment of tuition or fees prior to the
19 start of the academic year to reserve space for an EFA student admitted to the education service
20 provider, such partial payment may be paid by the scholarship organization, if funds are available,
21 prior to the start of the school year in which the EFA is awarded and deducted in an equitable
22 manner from subsequent quarterly EFA deposits to ensure adequate funds remain available
23 throughout the school year; but if an EFA student decides not to use the education service provider,
24 the partial reservation payment shall be returned to the scholarship organization by such education
25 service provider and credited to the student's EFA.

26 IX. The treasurer shall continue making deposits into a student's EFA until notified by the
27 scholarship organization that:

28 (a) The scholarship organization determines that the EFA student is no longer an
29 eligible student;

30 (b) The scholarship organization determines that there was substantial misuse of the
31 funds in the EFA;

32 (c) The parent or EFA student withdraws from the EFA program;

33 (d) The EFA student enrolls full-time in the resident district public school; or

34 (e) The EFA student graduates from high school.

35 X. The scholarship organization shall have the authority to conduct or contract for the
36 auditing of individual EFAs, and shall at a minimum conduct random independent audits of EFAs
37 on an annual basis. The scholarship organization shall provide the department with copies of the

1 audits.

2 XI. The scholarship organization shall have the authority to make any parent or EFA
3 student ineligible for the EFA program in the event of intentional and substantial misuse of EFA
4 funds.

5 (a) The scholarship organization shall create procedures to ensure that a fair process
6 exists to determine whether an intentional and substantial misuse of EFA funds has occurred.

7 (b) If an EFA student is free from personal misconduct, that student shall be eligible for
8 an EFA in the future if placed with a new guardian or other person with the legal authority to act on
9 behalf of the student.

10 (c) The scholarship organization shall refer suspected cases of intentional and
11 substantial misuse of EFA funds to the department and the attorney general for investigation if
12 evidence of fraudulent use of EFA funds is determined.

13 (d) A parent or EFA student may appeal the scholarship organization's decision to make
14 a parent or EFA student ineligible for the EFA program to the department.

15 XII. The scholarship organization may bar an education service provider from accepting
16 payments from EFAs if the scholarship organization determines that the education service provider
17 has:

18 (a) Intentionally and substantially misrepresented information or failed to refund any
19 overpayments in a timely manner; or

20 (b) Routinely failed to provide students with promised educational materials or services

21 XIII. The scholarship organization shall create procedures to ensure that a fair process
22 exists to determine whether an education service provider may be barred from receiving payments
23 from EFAs.

24 (a) If the scholarship organization bars an education service provider from receiving
25 payments from EFAs, it shall notify parents and EFA students of its decision as quickly as possible.

26 (b) Education service providers may appeal the scholarship organization's decision to bar
27 them from receiving payments from the EFA to the department.

28 XIV. A scholarship organization may receive and expend gifts, grants, and donations of any
29 kind from any public or private entity to carry out the purposes of this chapter.

30 XV. The state board of education shall adopt rules, pursuant to RSA 541-A, relative to the
31 EFA program.

32 XVI. The scholarship organization may adopt policies or procedures that are necessary for
33 the administration of this chapter. This may include policies or procedures:

34 (a) Requiring a surety bond for education service providers receiving more than
35 \$100,000 in EFA funds.

36 (b) Refunding payments from education service providers back to EFAs.

37 XVII. The scholarship organization shall not exclude, discriminate against, or otherwise

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1 disadvantage any education provider with respect to programs or services under this section based
2 in whole or in part on the provider's religious character or affiliation, including religiously based or
3 mission-based policies or practices.

4 XVIII. The scholarship organization and any contractors shall comply with all federal and
5 state laws regarding student privacy.

6 XIX. The scholarship organization shall provide an annual report to the speaker of the
7 house of representatives, the president of the senate, the chairperson of the house education
8 committee, the chairperson of the house finance committee, the chairperson of the senate education
9 committee, the chairperson of the senate finance committee, the governor, the joint legislative
10 oversight committee under RSA 194-E:6 and the commissioner of the department of education. The
11 report shall include:

12 (a) The number of eligible students with accounts.

13 (b) A list of nonpublic schools and educational service providers including the number of
14 eligible students served per school and educational service provider.

15 (c) The value of EFA funds utilized for services during the year by eligible expense
16 category.

17 (d) A survey of parents of eligible students with accounts. The survey shall include, but
18 not be limited to the number of years the parent has been in the program, the relative satisfaction of
19 the parent with the program, and suggestions of the parent for improvement.

20 (e) The value of funds spent on administrative expenses by the scholarship organization.

21 194:E-5 Parent and Education Service Provider Advisory Commission.

22 I. The parent and education service provider advisory commission to assist the scholarship
23 organization in providing recommendations on implementing, administering, and improving the
24 EFA program is established.

25 II.(a) The commission shall consist of 7 members, who shall be education service providers
26 or parents of EFA students and represent no fewer than 6 counties in the state. The 7 members
27 shall be appointed by the director of the scholarship organization.

28 (b) The members shall serve for one calendar year and may be reappointed.

29 (c) The director of the scholarship organization, or designee, shall serve as the non-
30 voting chairperson of the commission.

31 (d) The commissioner of the department of education, or designee, who shall serve as a
32 non-voting member of the commission.

33 (e) The chairperson of the house finance committee.

34 (f) The chairperson of the house education committee.

35 (g) One member of the senate, appointed by the president of the senate.

36 (h) One member of the state board of education, who shall serve as a non-voting member
37 of the commission, appointed by the chairperson of the board.

1 III. The scholarship organization may request the commission to meet, in person or
2 virtually, to review appeals of education service provider denials and to provide a recommendation to
3 the scholarship organization as to whether an education service provider should be allowed to
4 receive, or continue receiving, payments from EFAs.

5 194:E-6 Requirements for Education Service Providers.

6 I. The scholarship organization may approve education service providers on its own
7 initiative, at the request of parents, or by notice to the scholarship organization provided by
8 prospective education service providers.

9 II. A prospective education service provider that wishes to receive payments from EFAs
10 shall:

11 (a) Submit notice to the scholarship organization that it wishes to receive payments from
12 EFAs.

13 (b) Agree not to refund, rebate, or share EFA funds with parents or EFA students in any
14 manner, except that funds may be remitted or refunded to an EFA in accordance with procedures
15 established by the scholarship organization.

16 194:E-7 Independence of Education Service Providers.

17 I. Nothing in this chapter shall be deemed to limit the independence or autonomy of an
18 education service provider or to make the actions of an education service provider the actions of the
19 state government.

20 II. Education service providers shall be given maximum freedom to provide for the
21 educational needs of EFA students without governmental control.

22 III. Nothing in this chapter shall be construed to expand the regulatory authority of the
23 state, its officers, or any school district to impose any additional regulation of education service
24 providers beyond those necessary to enforce the requirements of the EFA program.

25 IV. An education service provider that accepts payment from an EFA pursuant to this
26 chapter is not an agent of the state or federal government.

27 V. No education service provider shall be required to alter its creed, practices, admissions
28 policy or curriculum in order to accept payments from an EFA.

29 194:E-8 Responsibilities of Public Schools and School Districts. A public school, or school
30 district, that previously enrolled an EFA student shall provide a private school that is also an
31 education service provider and that has enrolled an EFA student with a complete copy of the EFA
32 student's school records, in a timely manner, while complying with 20 U.S.C. section 1232g, the
33 Family Educational Rights and Privacy Act of 1974.

34 194-E:9 Legislative Oversight Committee.

35 I. There is hereby established an education freedom savings account oversight commission.
36 The commission shall meet at least twice a year and shall monitor the implementation of this
37 chapter and make recommendations for any legislative changes to the education freedom savings

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1 account program. The members of the commission shall be:

2 (a) Two members of the senate appointed by the president of the senate.

3 (b) Three members of the house of representatives, one of whom shall be the chairperson
4 of the house education committee, one of whom shall be the chairperson of the house finance
5 committee, and one of whom shall be appointed by the speaker of the house of representatives.

6 (c) The commissioner of the department of education, or designee.

7 (d) The administrator or chief executive officer of the scholarship organization.

8 (e) One member of the state board of education appointed by the chairperson of the
9 board.

10 II. The commission shall submit a report on or before November 1 of each year to the
11 general court including findings, recommendations, and any corrective or technical improvements
12 that the education freedom account program may require. The scholarship organization shall
13 develop and implement a plan to be approved by the commission that addresses corrective and
14 technical recommendations made by the oversight commission.

15 194:E-10 Legal Proceedings.

16 I. In any legal proceeding challenging the application of this chapter to an education service
17 provider, the state bears the burden of establishing that the law is necessary and does not impose
18 any undue burden on the education service provider.

19 II. No liability shall arise on the part of the scholarship organization or the state or of any
20 public school or school district based on the award of or use of an EFA pursuant to this act.

21 III. If any part of this chapter is challenged in a state court as violating either the state or
22 federal constitutions, parents of EFA students and/or EFA students shall be permitted to intervene
23 as of right in such lawsuit for the purposes of defending the EFA program's constitutionality.
24 However, for the purposes of judicial administration, a court may require that all parents file a joint
25 brief, as long as they are not required to join any brief filed on behalf of any named state defendant.

26 IV. If any provision of this chapter or its application to any person or circumstances, is held
27 invalid, such invalidity shall not affect other provisions or applications of this chapter which can be
28 given effect without the invalid provision or application, and to this end the provisions of this
29 chapter are declared to be severable.

30 3 Effective Date. This act shall take effect upon its passage.

HB 20-FN-A-LOCAL- FISCAL NOTE
AS INTRODUCED

AN ACT establishing the Richard "Dick" Hinch education freedom account program.

FISCAL IMPACT: State County Local None

STATE:	Estimated Increase / (Decrease)			
	FY 2021	FY 2022	FY 2023	FY 2024
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase
Funding Source:	<input type="checkbox"/> General	<input type="checkbox"/> Education	<input checked="" type="checkbox"/> Highway	<input checked="" type="checkbox"/> Other -

LOCAL:

Revenue	\$0	Indeterminable Decrease	Indeterminable Decrease	Indeterminable Decrease
Expenditures	\$0	Indeterminable	Indeterminable	Indeterminable

METHODOLOGY:

This bill establishes education freedom accounts (EFA) for qualifying students. All students that are residents of New Hampshire, who are eligible to enroll in a public elementary or secondary school, are eligible for an EFA. This includes:

- A student currently attending a New Hampshire school that is remote or hybrid.
- A student currently assigned to a New Hampshire public school with assessment proficiency below 40 percent.
- A student currently attending a New Hampshire public school, including a chartered public school, public academy, or nonpublic school.
- A kindergarten or first grade student.
- A sibling of a student with an education freedom account.

Students in the special school district within the Department of Corrections, established in RSA 194:60, are not eligible.

Under the program, parents execute an agreement with a scholarship organization for an EFA, which may be used for a variety of education expenses. Under this bill, EFAs are funded as follows:

- 100% of the per pupil adequate education grant amount, plus any applicable differentiated aid (except for differentiated aid for non-proficiency in third grade reading).
- Scholarship organizations may retain up to 10 % to cover administrative costs.

The Department of Education has provided the following information:

Enrollment (K-12)	School Year	
	2019-20	2020-21
Public Schools - District & Charter	171,651	169,204
Non-Public School	15,823	16,294
Homeschool	2,955	6,110
Total K-12 Students	190,429	191,608

- Year 1 of the program would be the 2021-22 school year, of which an average adequate education grant, including differentiated aid, would be \$4,603.

While program participation cannot be predicted, it is likely the net impact of this bill would be increased state education trust fund expenditures and decreased local adequacy grant revenue. Any impact to local expenditures is indeterminable. Below are illustrations of the fiscal impact for the most likely scenarios in which an EFA would be utilized in program year 1 (2021-22 school year):

- District Public School to a Non-Public School or Home Educated – A student moving from a district public school to a non-public school or home education.

State Expenditure to Fund ESA	\$4,603
Scholarship Organization Admin Fee	(\$460)
<i>Net EFA Funding</i>	<i>\$4,143</i>
Adequacy Decrease to Former District School	(\$4,603)
Total State Impact	\$0
Total Local Revenue Decrease*	(\$4,603)

*The district would not see an impact to revenue associated with the student until the following year, as adequate education payments are made based on prior year enrollments. It should also be noted, while this bill makes no direct impact to district expenditures, districts may experience reduced spending to the extent there would be one fewer student in its school.

- Charter Public School to a Non-Public School or Home Educated – A student moving from a charter public school to a non-public school or home education.

State Expenditure to Fund ESA	\$4,603
Scholarship Organization Admin Fee	(\$460)
<i>Net EFA Funding</i>	<i>\$4,143</i>
Payment Decrease to Former Charter School	(\$7,668)
Total State Expenditure Decrease	(\$3,065)
Total Local Impact	\$0

- *Existing Non-Public or Home Educated* – Students already in a non-public school or being home educated.

State Expenditure to Fund ESA	\$4,603
Scholarship Organization Admin Fee	(\$460)
<i>Net EFA Funding</i>	<i>\$4,143</i>
Total State Expenditure Increase	\$4,603
Total Local Impact	\$0

While not specific to the provision of this bill as currently written, for purposes of estimating the potential fiscal impact the Department of Education performed a long-term comprehensive modeling analysis based on adoption rates for the first 10-years of a similar EFA program in the State of Arizona. The full analysis be found on the Department’s webpage at: www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/efa-modeling-analysis.pdf.

For purpose of their analysis, the Department included the total taxpayer cost of students in a traditional public school based on the 2020 State Total Average Cost Per Pupil of \$19,874. This includes all funding sources (e.g. state, local, federal, etc...). The taxpayer cost of students adopting an EFA education program, other than those adopters that remain in the traditional public school setting, uses the state average adequacy payment, including base adequacy plus differentiated aid (\$4,597). The Department also included an annual inflation factor of 2.5%. The Department assumes the total number of students estimated to participate in an EFA education program education program over the first 10-years is between .01% and 2.43% of the total eligible student count, representing 0.5% of the total primary and secondary spend. The Department utilized two cost modeling scenarios, one assuming 100% of per-pupil costs are fixed and one assuming the savings realized when a student adopts an EFA education program will be retained by the traditional school. The Department’s scenarios are summarized below.

Modeling Scenario 1: This modeling scenario assumes that when a student adopts an EFA education program, the school will not realize any cost reductions in that year. This means that although the student will not be educated by the traditional school, the school will continue to spend the same amount of funds, \$19,874 for each student that leaves the school. The Department indicates that it is reasonable to assume that all schools have a certain amount of variable costs associated with a student’s education. In some cases, these costs are estimated to be as high as \$13,350 per pupil. In addition to no cost reductions in the first year, this model assumes that the school will be able to reduce the cost for the student over 3-years as depicted below.

<u>Modeling Scenario 1</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Traditional School, Per-pupil Costs Still Incurred	\$19,874	\$13,249	\$6,625

Under Modeling Scenario 1, the Department’s estimates net cumulative savings to New Hampshire taxpayers (all sources) at approximately \$0.4M in Year 1, \$10.3M in Year 2, and \$36.2M in Year 3.

Modeling Scenario 2: This modeling scenario assumes that when a student adopts an EFA education program, shared savings are realized. These savings are the difference between the total state cost per pupil to educate a student in the traditional public school (\$19,874) and the cost per-pupil to educate a student adopting an EFA education program (\$4,597). In this model, 100% of the savings are retained by the traditional public school in year-1 and the school achieves the cost reductions for the student over 3-years as depicted below:

<u>Modeling Scenario 2</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Traditional School, Per-pupil Costs Still Incurred	\$15,659	\$10,439	\$5,220

Under Modeling Scenario 2, the Department’s estimates net cumulative savings to New Hampshire taxpayers (all sources) at approximately \$0.4M in Year 1, \$10.4M in Year 2, and \$38.8M in Year 3.

AGENCIES CONTACTED:

Department of Education