



# Projected State Costs of Universal EFAs in Years 1 & 2

February 2025

## Executive Summary

New Hampshire's Education Freedom Account (EFA) program is restricted to families that make no more than 350% of the federal poverty level. (That's \$90,370 for a family of three and \$112,525 for a family of four.) Republicans in the state Legislature have proposed removing the income cap and allowing all students to participate in the program. Opponents of expansion have incorrectly asserted that taking EFAs universal would cost the state more than \$100 million in Year 1. But to reach that number, they included thousands of ineligible pre-school students, out-of-state students and current EFA students. They also assumed without evidence that every eligible student would take an EFA. No school choice program in the country has a 100% take-up rate among eligible students outside the public school system, and no program has a take-up rate that's even in the same ballpark.

After removing ineligible students and using more realistic take-up rates based on actual program experience in New Hampshire and other states, we estimate that only 1,479 students not currently enrolled in a public school are likely to take an expanded EFA in Year 1, and 2,501 are likely to take one in Year 2. Because this new population of eligible students comes from households with incomes above 350% of the federal poverty level (FPL), the average EFA grant will be smaller than in the early years of the program in which eligibility was restricted to lower-income students, about 40% of whom received additional aid for having incomes lower than 185% of the FPL. We project a per-pupil EFA grant of \$4,410 for newly eligible students above 350% of FPL vs. \$5,204 in the current school year. That leads to an estimated fiscal impact on the state budget of \$6,522,390 in Year 1 and \$11,029,410 in Year 2.

This report was prepared by the Josiah Bartlett Center for Public Policy and EdChoice.

# Accounting for Ineligible Non-Public School Students

State Education Department (NHED) data show 17,670 students currently enrolled in non-public schools in New Hampshire. That number includes more than 9,000 students not eligible for an Education Freedom Account. Using state data, we subtracted 1,516 pre-school students and 4,990 non-residents. New Hampshire has several famous boarding schools as well as smaller private schools within a short drive of our neighboring states. These schools attract thousands of non-residents who are ineligible for EFAs.

In addition, students who currently receive an EFA and use it to attend a non-public school are included in the total non-public school enrollment numbers published by NHED. Because they have an EFA, they are not eligible to receive another one. Therefore, they should be subtracted from the total. We conservatively estimated that half of current EFA students attend a non-public school. The percentage is likely higher. To avoid double counting, we removed these current EFA students from the non-public school student total.

## Home-Schooled Students

When a home-schooled student takes an EFA, the state classifies that student as an EFA student, and not as a home-schooled student. Therefore, we cannot subtract the remaining home-schooled EFA students from the list of registered home schoolers. The state does not keep statistics on the total number of home schoolers. We used the state-reported figure of 3,499 home schoolers this fall and counted all of them as eligible for an EFA.

## Accounting for Household Income

Families earning 350% of the FPL or less are currently eligible for an EFA, so making the program universal does not make them newly eligible. Census data show that 65.8% of New Hampshire households with children earn more than 350% of the FPL. So we multiplied the total population of eligible state-resident non-public school and home-school students by 65.8% to estimate how many would be eligible if the income cap is lifted.

## Take-Up Rates Among Eligible Non-Public School Students

Opponents of school choice commonly make the mistake of assuming that every eligible student will take advantage of school choice programs. That is not the case. No school choice program in any state has a 100% take-up rate among eligible students outside the public school system, and no program has a take-up rate that's even in the same ballpark.

To estimate take-up rates for expanded EFAs, we looked at New Hampshire, Arizona, which has a universal education savings account program, and Indiana, which expanded eligibility for its program from 370% of the FPL to 740% from 2021-2024. Annual take-up rates among eligible non-public school students in Arizona and Indiana ranged from 15.9% to 29.5%. New Hampshire's take-up rates among non-public school students eligible for the EFA were 19.1% in 2021 and 32.3% in 2022. Since the other state rates were lower, we applied New Hampshire's higher take-up rates to be more cautious.

# Estimating EFA Spending Per-Student

Because the EFA program has been limited to lower-income families, a significant percentage of participants has received additional state aid for students who participate in the free-and-reduced-price lunch program. Thirty-seven percent of EFA students in the 2024-25 school year received this aid, which was \$2,346 per-student. To be eligible, a family's income must not exceed 185% of the FPL. Because every family that qualifies for this aid is already eligible for an EFA, we removed this aid when calculating the cost of expanding eligibility above 350% of the FPL. We estimate that the average per-student EFA cost for newly eligible students will fall from \$5,204 to \$4,410.

## Final Estimated Cost

After making these calculations, we estimate that 1,479 students newly eligible after making EFAs universal would enroll in the program in the first year, and 2,501 in the second year. At an average per-student cost to the state budget of \$4,410, this would lead to a Year 1 cost of \$6,522,362 and a Year 2 cost of \$11,029,962.

Universal Education Freedom Accounts, Estimated Effect on State Budget, Years 1 & 2

	Statewide Total	Non-resident private-school students	Current EFA students in private schools (low estimate)	Total Eligible Population
Private School Enrollment K-12	16,154	-4,990	-2,897	8,267
Homeschool Enrollment	3,499			3,499
<b>Total</b>	19,653			11,766
% of NH Households over 350% of FPL	65.8%			
<b>Total Non-Public &amp; Homeschool Students Newly Eligible for EFA</b>				7,743
<b>Estimated Take-Up Rate Year 1</b>	19.1%			
<b>Resident Non-Public &amp; Home-School Students Newly Enrolled Year 1</b>				1,479
<b>Estimated Per-Student Cost of Expanded EFAs above 350% FPL</b>				\$4,410
<b>Estimated Fiscal Impact of Non-Switchers in Year 1</b>				<b>\$6,522,362</b>
<b>Estimated Take-Up Rate Year 2</b>				32.3%
<b>Resident Non-Public &amp; Home-School Students Newly Enrolled Year 2</b>				2,501
<b>Estimated Per-Student Cost of Expanded EFAs above 350% FPL</b>				\$4,410
<b>Estimated Fiscal Impact of Non-Switchers in Year 2</b>				<b>\$11,029,962</b>

For comparison, we also calculated the cost if the average per-student EFA grant remained at the current amount of \$5,204. Using this per-student average, we get a Year 1 cost of \$7,696,716 in Year 1 and \$13,015,204 in Year 2.

Even if we were to increase by 50% our estimated number of EFA enrollees in each year, using our more realistic \$4,410 as the average per-student EFA grant, the total cost to the state would come to only \$9,785,790 in Year 1 and \$16,546,320. These projections are miles below the \$100 million cost of EFA expansion that some opponents project.

## Conclusion

It's important to note that these numbers do not include cost savings to taxpayers from EFAs. It costs taxpayers an average of \$26,320 in total state, federal and local spending to educate a single student in the public schools. But EFAs have averaged a cost of only \$5,204 so far. Universal eligibility would lower the average per-student EFA cost even further. Even at the state level, the per-pupil cost would shrink, as EFA students receive only adequacy grant funds, while school districts receive some additional funding. State Education Department data show that the average per-student state adequate education grant in the 2023-24 school year was \$6,177. For EFAs, the grant average was \$5,204.

Opponents have claimed that making EFAs accessible to all students would cost the state more than \$100 million in the next fiscal year, as every home-schooler and every student attending a non-public school would enroll in the program immediately. This is not only unrealistic. It's impossible. The student figures used to reach the alarming \$100 million number included more than 9,000 students who are not legally eligible for an EFA.

When ineligible and already eligible students are removed, a more realistic picture of expansion's effect on the state budget emerges. In our estimates, the fiscal impact on the state budget would be minimal, ranging from \$6.5 million in Year 1 to \$11 million in Year 2. Even if we increase our enrollment estimates by 50%, the fiscal effect rises to only \$9.8 million in Year 1 and \$16.5 million in Year 2.

K-12 district public school enrollment has fallen by more than 54,000 students since 2001, as spending increased from \$2.8 billion to \$4 billion. Though the state has increased both total spending and per-pupil spending, the Education Trust Fund remains flush, with an estimated balance of \$158.4 million at the end of the 2024 Fiscal Year, according to the preliminary Annual Comprehensive Financial Report for 2024. The modest fiscal effect of making EFAs universal is not only manageable, but it would allow the state to purchase a quality education at a lower per-pupil amount going forward.

## Non-public & homeschool students newly eligible for EFAs under universal expansion

K-12 enrollment in NH non-public schools:	16,154
Out-of-state students enrolled in non-public schools:	-4,990
Conservative estimate of non-public school students in the EFA program:	<u>-2,897</u>
<b>Total NH resident non-public school students not in the EFA program:</b>	<b>8,267</b>
Reported home-school population not in the EFA program:	+3,499
Resident non-public school and home-school students newly EFA eligible:	11,766
Percentage of NH households over 350% of FPL (newly eligible):	65.8%
<b>Non-public school &amp; homeschool students newly eligible for EFAs:</b>	<b>7,743</b>

## Fiscal impact of non-switchers above 350% of FPL

<b>Non-public school &amp; homeschool students newly eligible for EFAs:</b>	<b>7,743</b>
Estimated take-up rate in Year 1:	19.1%
Estimated number of new non-public & homeschool EFA students:	1,479
Estimated average per-student cost of new EFA students above 350% of FPL:	\$4,410
<b>Estimated fiscal impact of non-switchers in Year 1:</b>	<b>\$6,522,362</b>
Estimated take-up rate in Year 2:	32.3%
Resident non-public school and home-school students newly EFA eligible:	2,501
Estimated average per-student cost of new EFA students above 350% of FPL:	\$4,410
<b>Estimated fiscal impact of non-switchers in Year 1:</b>	<b>\$11,029,962</b>