



The Fiscal Effects of Expanding New Hampshire's Education Freedom Account Program

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Executive Summary

In this paper, I estimate the net fiscal effects of Education Freedom Account (EFA) expansion on state taxpayers and on local taxpayers from expanding the EFA program under two bills introduced in the state Legislature. The analysis covers the first two years of each plan.

Gov. Kelly Ayotte's plan was introduced as part of her state budget. Starting July 1, 2026 (the first year of this expansion), it would maintain the income cap of 350% of the federal poverty level (FPL) on students not currently enrolled in a public school but lift the cap for all grades K-12 students who reside in the state and attended a public school in the previous year.

The House also introduced a bill (known as the Universal House Plan). It would lift the income cap to 400% of FPL in the first year (SY 2025-26), then eliminate the cap in the following year (SY 2026-27), expanding EFA eligibility to all K-12 students in the state.

The Governor's Plan takes effect in 2026, so has no effect in the first year of the 2026-27 state budget. The Universal House Plan takes effect for SY 2025-26, and therefore affects both budget years.

Here are the key results.

Governor's proposal

- In year 1, EFA expansion would generate an estimated \$2.3 million in net savings for state taxpayers.
- In year 2, EFA expansion would generate an estimated \$5.6 million in net savings for state taxpayers.
- The fiscal effect on local taxpayers is an estimated \$8.6 million in short-run net fiscal benefits in year 1 and \$21.0 million in short-run net fiscal benefits in year 2.

Universal House Plan

- In year 1, EFA expansion would generate an estimated \$360,000 in net costs for state taxpayers.
- In year 2, EFA expansion would generate an estimated \$5.0 million in net costs for state taxpayers. This cost represents 0.1% of total state expenditures on all public services.
- The fiscal effect on local taxpayers is an estimated \$824,000 in short-run net fiscal benefits in year 1 and \$22.7 million in short-run net fiscal benefits in year 2.

Introduction

This policy brief estimates the fiscal impacts of expanding New Hampshire’s Education Freedom Account (EFA) program under two bills that were introduced in the state Legislature during the 2025 session. The analysis covers the first two years of each plan.

The EFA program is currently open to public and private school K-12 students whose family income is up to 350% of the federal poverty level (FPL), equal to \$90,370 for a family of three and \$109,200 for a family of four. Gov. Kelly Ayotte introduced a new proposal in her budget that would expand the EFA program to all K-12 students who reside in the state and attended a public school in the prior year. The House introduced a bill that would expand the EFA to students in families earning no more than 400% of FPL in the first year, then all K-12 students in the state after that.

In this paper, I estimate the net fiscal impact of EFA expansion on state taxpayers and the net fiscal effects of this expansion on local taxpayers under these two plans. The fiscal analysis examines EFA expansion only (i.e., newly eligible EFA students) and does not estimate the fiscal effects for the entire program. Throughout this paper, these bills will be referred to as the “Governor’s Plan” and the “Universal House Plan.” The Governor’s Plan takes effect in 2026, so has no effect in the first year of the 2026-27 state budget. The Universal House Plan takes effect for SY 2025-26, and therefore affects both budget years.

Analysis of EFA expansion under the Governor’s Plan

Participation in the EFA program under expansion

The Governor’s Plan expands EFA eligibility to students with family incomes above 350% of FPL who are enrolled in public schools for a full year prior to participating in the EFA. This program design is very close to eligibility under West Virginia’s Education Savings Account (ESA) program. Under WV’s program, all public school students are eligible to receive an ESA.¹ In addition, all kindergarten students, regardless of school type prior to enrollment, are also eligible to receive an ESA. Of the total number of students eligible for West

¹ EdChoice (2025). “The ABCs of School Choice: The comprehensive guide to every private school choice program in America, 2025 Edition,” <https://www.edchoice.org/wp-content/uploads/2025/01/2025-ABCs-of-School-Choice.pdf>

Virginia’s program, 0.9% participated during the program’s first year and 2.2% participated during the program’s second year. These rates are also slightly higher than the overall take-up rates for older, more targeted choice programs in other states across the U.S.²

This analysis uses West Virginia’s experience as the basis for its assumption about participation for EFA expansion under the Governor’s Plan and the Universal House Plan. That is, I assume that 0.9% of newly eligible public school students under EFA expansion will participate in the program’s first year and 2.2% of these newly eligible students will be in the EFA program in the second year.³

Using data from the U.S. Census Bureau’s American Community Survey, 65.8% of New Hampshire households with children under age 18 had income above 350% of FPL.⁴ We apply this estimate to public school enrollment data to generate estimates for the number of students who would be newly eligible for an EFA under expansion. There are 147,404 students in NH district public schools and public charter schools in grades 1 through 12.⁵ I assume that 65.8% of the students in this pool would be eligible for the EFA program under universal expansion.

Newly eligible public school students = 0.658 x 147,404 = 97,000 students

Next, the analysis applies take-up rates based on West Virginia’s experience with its near-universal ESA program – 0.9% in year one and 2.2% in year 2 – to the number of newly eligible public school students:

Year 1: 97,000 public school students x 0.009 = 873 new EFA students

Year 2: 97,000 public school students x 0.022 = 2,134 new EFA students

² EdChoice (no date). “Participation in Private Education Choice Programs,” Fiscal Research and Education Center, <https://www.edchoice.org/wp-content/uploads/2023/02/Participation-in-Private-Education-Choice-Programs.pdf>

³ “West Virginia Hope Scholarship Program Fiscal Facts,” EdChoice Fiscal Research and Education Center and Cardinal Institute for West Virginia Policy, retrieved from <https://cardinalinstitute.com/wp-content/uploads/West-Virginia-Hope-Scholarship-Fiscal-Memo-1.pdf>

⁴ Based on ACS data, the FPL threshold for a family size of three in NH is \$90,370, and the average family size is 2.97. For a family of three in NH, 65.8% of households with children below age 18 have income below \$90,370.

U.S. Census Bureau, U.S. Department of Commerce. “Family Type by Presence of Own Children Under 18 Years by Family Income in the Past 12 Months (in 2023 Inflation-Adjusted Dollars).” American Community Survey, ACS 5-Year Estimates Detailed Tables, Table B19131, 2023, <https://data.census.gov/table/ACSDT5Y2023.B19131?q=b19131&g=040XX00US33>. Accessed on January 9, 2025.

⁵ Under the Governor’s Plan, eligible students must have been enrolled in a public school for one full year. Therefore, the analysis of this plan excludes kindergarten students from the newly eligible student pool.

Thus, I estimate 873 new EFA students entering the program in the first year and 2,134 EFA students would participate in the second year as a result of program expansion under the Governor's Plan.

State funding for New Hampshire public schools

Total state revenue for New Hampshire public schools in FY 2024 was \$7,645 per student.⁶ This figure represents the most recent data publicly available on the New Hampshire Department of Education's website at the time of this analysis.

The marginal state cost for public school students is an important element for the present fiscal analysis. When a student leaves a public school system via the EFA, state taxpayer effort is reduced by some amount and represents savings for the state because it is no longer obligated to support those students' education in public school systems. This marginal cost is not the full \$7,645 amount, however, as some state revenue is not directly based on student enrollment. Thus, funding from state sources does not decline by the full \$7,645 amount when a student leaves a NH public school for any reason (including an EFA) because a portion of revenue comes from "other" funding sources such as buildings and other categories not allocated on a student-basis.

Figure 1 below shows total state revenue per student, equitable education aid per student, and other state sources. It compares these amounts to the expected average EFA amount under the Governor's Plan.

Equitable education aid, also known as differentiated aid, is \$7,021 per student and represents 92% of total state funding and is allocated on a student basis. Thus, when student enrollment increases or decreases for public schools, state funding increases or decreases by this amount for each student, on average. The amount of revenue from other state sources is \$625 and includes non-enrollment-based revenue such as building aid, career and tech grants, special education aid for high cost students, and other grants.

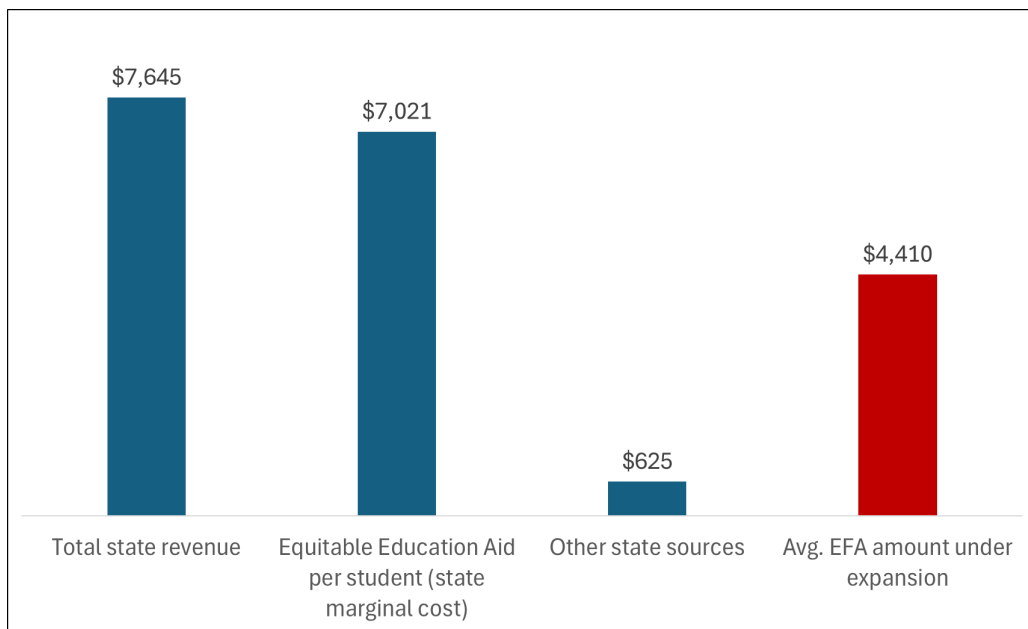
The present analysis assumes that each EFA student participating under program expansion generates savings for state taxpayers worth \$7,021. This funding arrangement

⁶ New Hampshire Department of Education (2025). "STATE SUMMARY REVENUE AND EXPENDITURES OF SCHOOL DISTRICTS (Excluding Newfound), 2023-2024," Bureau of School Finance, retrieved from <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/summary-revexp-fy2024-excluding-newfound.pdf>; New Hampshire Department of Education (2025). STATE AVERAGE COST PER PUPIL AND TOTAL EXPENDITURES 2023-2024 (Excluding Newfound)," Bureau of School Finance, retrieved from <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/state-avg-cost-per-pupil-fy2024-excluding-newfound.pdf>

completely offsets the \$4,410 cost of the EFA for state taxpayers and generates surplus savings.

Armed with this understanding of how state funding flows with changes in student enrollment for public schools, we can now estimate the net state fiscal impact of EFA expansion under the Governor's Plan.

Figure 1: Per-pupil amounts for total state revenue, equitable education aid, other state sources, and EFA expansion funding



Source: New Hampshire Department of Education (2025). STATE SUMMARY REVENUE AND EXPENDITURES OF SCHOOL DISTRICTS (Excluding Newfound): 2023-2024, Bureau of School Finance, January 7, 2025, retrieved from: <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/summary-revexp-fy2024-excluding-newfound.pdf>

Fiscal impact on state taxpayers

The net fiscal impact of the EFA on state taxpayers is the difference between the cost of expanding the EFA program and the cost-savings from new EFA students who switch from public schools.

$$NFI(state) = Savings\ from\ new\ EFA\ students\ under\ expansion \text{ — } Cost\ of\ EFA\ expansion$$

The EFA amount is equal to the base adequacy amount for 2024-25, plus additional add-on amounts for special education students, English language learner (ELL) students, and

students who receive free and reduced price lunch (FRL) aid. Importantly, all FRL students are already eligible for the current EFA program and therefore would not be newly eligible under the expansion bill under consideration. I estimate the average EFA cost for students under program expansion at \$4,410.⁷ Note that this estimate for the average EFA amount under expansion is less than the 2024-25 average EFA amount of \$5,204 because newly eligible students do not include FRL students, who generate \$2,393 for public schools in addition to the \$4,266 base amount.

Because only public school students would be eligible for the program, the cost of the EFA under the Governor's Plan will be completely offset by state savings from equitable education aid payments for fewer students in public schools.

Next, I estimate the net fiscal impact on state taxpayers during the first two years of EFA expansion under the Governor's Plan.

State net fiscal impact for year 1

In year 1, I estimate that 873 new EFA students would participate in the program as a result of program expansion. The total cost for EFAs under the expansion bill is:

$$\text{Cost of EFAs under expansion} = (873 \text{ EFA students}) \times (\$4,410) = \$3,850,312$$

Because the Governor's Plan requires students to be enrolled in public school for a full year in order to be eligible for the program, all new EFA students are "switchers" by definition. Therefore, each student represents savings for the state worth \$7,021, on average. Savings for these 873 students is:

$$\text{State savings from new EFA students} = (873 \text{ students}) \times (\$7,021) = \$6,129,091$$

The net fiscal impact on the state for year 1, which is the difference between the savings and cost of the program, is calculated as follows:

$$\text{State net fiscal impact for year 1} = \$6,129,091 \text{ savings} - \$3,850,312 \text{ cost} = \$2,278,778$$

⁷ This \$4,410 estimated EFA amount is a weighted average based on New Hampshire's "Education Freedom Account Financial Fact Sheet" which reports the number of EFA students from each category. This weighted average reflects EFA students who receive base adequacy only, special education students, and ELL students. The weighted average excludes FRL students.

New Hampshire Department of Education (2024). "Education Freedom Account Financial Fact Sheet," 9/1/2024, retrieved from <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/2024-2025-efa-fact-sheet.pdf>

Thus, expanding the EFA program to all public school students is expected to yield about \$2.3 million in net savings for the state during the first year.

State net fiscal impact for year 2

For year 2, I estimate that 2,134 EFA students would participate in the program that year as a result of program expansion. The total cost for this second cohort of students is:

$$\text{Cost of EFAs under expansion} = (2,134 \text{ students}) \times (\$4,410) = \$9,411,875$$

Savings to state taxpayers for these 2,134 students during year 2 is:

$$\text{State savings from EFA students} = (2,134 \text{ students}) \times (\$7,021) = \$14,982,222$$

The net fiscal impact on the state for year 2 is calculated as follows:

$$\text{State net fiscal impact for year 2} = (\$14,982,222 \text{ savings}) - (\$9,411,875 \text{ cost}) = \$5,570,347$$

Thus, expanding the EFA program to all public school students is expected to yield about \$5.6 million in net savings for the state during the second year.

Fiscal Effects of the EFA program expansion on local taxpayers

If a student leaves the NH public school system via EFA expansion (or for any other reason), the state will pay \$4,410 for the EFA while public schools will see their state revenue decrease by \$7,021 in equitable education aid, on average. Calculating the total cost of the EFA program and then claiming the program cost as the fiscal impact on the state is naïve. In the same vein, calculating the amount of revenue “lost” by NH public schools from students who migrate from public schools to the EFA program and then claiming this revenue reduction as the fiscal impact on public schools is also naïve.

Estimating the fiscal impact of expanding New Hampshire’s EFA program on local public school districts requires an assessment of the short-term (year-to-year) variable costs of educating students in public schools. In other words, we need to determine how much a district’s costs would increase if an EFA student instead enrolled in a public school.

The literature identifies four methods for estimating public school variable costs, with three of them yielding nearly identical results. Using one of these three approaches, I estimate the variable (or marginal) cost of educating an additional student in New Hampshire public

schools to be \$16,949 for the 2026-27 and 2027-28 school years.⁸ This estimate represents 64.4 percent of the average total cost per student in New Hampshire public schools, which the NH DOE reported was \$26,320 in FY 2024.

$$\text{Short-run variable cost per student} = 0.644 \times \$26,320 = \$16,949$$

Because the fourth estimation method produces significantly higher figures, the approach used in this report errs on the side of caution. The methodology behind these estimates, detailed in Appendix A, is based on observed reductions in district expenditures following enrollment declines.⁹

Fiscal effect of EFA expansion on local taxpayers in year 1

The present analysis uses the \$16,949 estimate of the average short-run variable cost (average additional cost) for educating a student in the NH public school system to estimate the fiscal effects of students switching out of public schools via the EFA program. The net fiscal effect of EFA expansion on local taxpayers compares the cost-savings from EFA students diverted from NH public schools with the reduction in revenue for NH public schools when EFA students leave. The first element in this calculation is the cost-savings from not educating EFA students in NH public schools during 2026-27, calculated as follows:

$$\text{Cost-savings from year 1 of EFA expansion} = (873 \text{ EFA students}) \times (\$16,949) = \$14,796,461$$

The second element is the amount of state revenue reduced for public schools when students switch into the EFA program:

$$\begin{aligned} \text{Reduction in state revenue for public schools in year 1} &= (873 \text{ EFA students}) \times (\$7,021) = \\ &= \$6,129,091 \end{aligned}$$

The net fiscal effect of EFA expansion on public schools is the cost-savings (short-run variable savings) minus the reduction in state revenue from students diverted from public schools. The present analysis estimates the net savings for local taxpayers from EFA expansion as follows:

⁸ This estimate is based on 2023-24 public school expenditure data reported by the New Hampshire Department of Education and is the most recent figure available at the time of this analysis.

⁹ Benjamin Scafidi (2012). *The Fiscal Effects of School Choice Programs on Public School Districts*, Friedman Foundation for Educational Choice, March 2012, retrieved from: <https://www.edchoice.org/wp-content/uploads/2015/07/The-Fiscal-Effects-of-School-Choice-Programs.pdf>

Net fiscal effect on local taxpayers from year 1 of EFA expansion = (\$14,796,461 cost-savings) — (\$6,129,091 reduced state revenue) = \$8,667,371 net savings for local taxpayers

The details for the above calculation are as follows:

- The number of EFA students who would have been enrolled in a public school without access to the EFA program in year 1 is 873.
- The estimate of the variable cost of educating students in public schools is \$16,949, where this estimate is 64.4% of the \$26,320 total average cost of educating students in public schools in FY 2024. From appendix A, 64.4% is my estimate of average short-run variable costs per student in New Hampshire public schools.
- Average state revenues per public school student that are directly based on student enrollment is \$7,021.
- For year 1, the local taxpayer cost to educate EFA students in public schools is 873 students x \$16,949 = \$14.8 million.
- State revenue reduction to local public school districts for EFA students diverted from public schools in year 1 = 873 EFA students x \$7,021 = \$6.1 million.
- Savings to local taxpayers in year 1 = \$14.8 million - \$6.1 million = \$8.7 million.

Fiscal effect of EFA expansion on local taxpayers in year 2

The cost-savings from not educating EFA students in NH public schools during year 2 of EFA expansion is calculated as follows:

$$\text{Cost-savings from year 2 of EFA expansion} = (2,134 \text{ EFA students}) \times (\$16,949) = \$36,169,128$$

The reduction in state revenue for public schools from switchers as a result of EFA expansion is:

$$\text{Reduction in state revenue for public schools in year 2} = (2,134 \text{ EFA students}) \times (\$7,021) = \$14,982,222$$

The net fiscal effect for local taxpayers from EFA expansion during year 2 is as follows:

$$\text{Net fiscal effect on local taxpayers from year 2 of EFA expansion} = (\$36,169,128 \text{ cost-savings}) \text{ — } (\$14,982,222 \text{ reduced state revenue}) = \$21,186,906 \text{ net savings for local taxpayers}$$

The details for the above calculation are as follows:

- The number of EFA students who would have been enrolled in a public school without access to the EFA program in year 2 is 2,134.
- The estimate of the variable cost of educating students in public schools is \$16,949, where this estimate is 64.4% of the \$26,320 total average cost of educating students in public schools in FY 2024. From appendix A, 64.4% is my estimate of average short-run variable costs per student in New Hampshire public schools.
- Average state revenues per public school student that are directly based on student enrollment is \$7,021.
- For year 2, the cost-savings for local taxpayers from not educating EFA students in public schools is 2,134 students x \$16,949 = \$36.2 million.
- State revenue reduction to local public school districts for EFA students diverted from public schools in year 2 = 2,134 EFA students x \$7,021 = \$15.0 million.
- Savings to local taxpayers in year 2 = \$36.2 million - \$15.0 million = \$21.2 million.

Appendix B provides a summary table for the fiscal analysis of the Governor's Plan.

Next, we turn to a fiscal analysis of the Universal House Plan bill.

Analysis of the Universal House Plan: expanding the EFA program to all K-12 students in New Hampshire

This section describes a fiscal analysis of the Universal House Plan bill. Under this bill, the income eligibility limit would increase from 350% of FPL to 400% of FPL in the first year. This income limit would then be removed completely in year 2 and after.

Participation in a fully universal EFA program

To project the fiscal impact of a fully universal EFA program, the analysis must account for the portion of eligible non-public school students who would likely participate in the program. Some critics argue that all or most of these students would participate in the program.¹⁰ Such arguments are not grounded in data and real world experiences of choice programs, however, and are therefore baseless and naïve.

¹⁰ Reaching Higher NH (2025). "Reaching Higher NH Projected Estimate of Universal School Voucher Expansion," retrieved from <https://www.reachinghighernh.org/UploadedFiles/Images/RHNNH%20Universal%20School%20Voucher%20Expansion%20Model%202025.pdf>

The present analysis uses assumptions from a previous analysis based on the first two years of the EFA program, where all public and private school students below the household income requirement are eligible.¹¹ Based on anonymous student-level EFA data, 19.1% of private school and homeschool students eligible for the EFA program participated in the EFA in the program's first year.¹² During the second year, 32.3% of eligible private school and homeschool students participated in the EFA program. These participation rates among eligible non-public school students (also known by some as "non-switcher" rates) are higher than the non-switcher rates experienced by Arizona's fully universal ESA program and Indiana's near-universal school voucher program after these states expanded their choice programs.¹³ Thus, our assumptions, based on the experiences of the EFA program in its first two years, represents a plausibly cautious estimate of the "non-switcher" rates for a universal EFA program in New Hampshire.

Using data from the U.S. Census Bureau's American Community Survey, 5.8% of New Hampshire households with children under age 18 have income between 350% and 400% of FPL.¹⁴ Students from these families would be eligible for EFA expansion under the Universal House Plan in year 1 (2025-26).

In year 2 all K-12 students would be eligible for the EFA, meaning that all students with income above 350% FPL would be newly eligible for the program under the present bill. Data indicate that 65.8% of New Hampshire households with children under age 18 have income above 350% of FPL.

We apply these 5.8% and 65.8% rates to public school, private school, and homeschool enrollment counts to generate estimates for the number of students who would be newly eligible for an EFA under universal expansion in the first two years as follows.

Newly eligible public school students

¹¹ Josiah Bartlett Center and EdChoice (2025). "Projected State Costs of Universal EFAs in Years 1 & 2," February, retrieved from <https://jbartlett.org/wp-content/uploads/JBC-Brief-Universal-EFA-Fiscal-Impact.pdf>

¹² Martin F. Lueken (2024). "The Reality of Switchers," EdChoice Fiscal Research and Education Center, retrieved from <https://www.edchoice.org/wp-content/uploads/2024/03/Switcher-Brief.pdf>

¹³ Josiah Bartlett Center and EdChoice (2025). "Projected State Costs of Universal EFAs in Years 1 & 2," February, retrieved from <https://jbartlett.org/wp-content/uploads/JBC-Brief-Universal-EFA-Fiscal-Impact.pdf>

¹⁴ Based on 2023 ACS data, the 350% FPL threshold for a family of three in NH is \$90,370, the 400% FPL threshold for a family of three in NH is \$103,200, and the average family size is 2.97. Of New Hampshire households with children under age 18, 65.8% have income above \$90,370 and 60.0% have income above \$103,280. It follows that 6.5% (= 65.8% - 60.0%) of households have income between 350% and 400% of FPL. U.S. Census Bureau, U.S. Department of Commerce. "Family Type by Presence of Own Children Under 18 Years by Family Income in the Past 12 Months (in 2023 Inflation-Adjusted Dollars)." American Community Survey, ACS 5-Year Estimates Detailed Tables, Table B19131, 2023, <https://data.census.gov/table/ACSDT5Y2023.B19131?q=b19131&g=040XX00US33>. Accessed on January 9, 2025.

First, we estimate the number of public school students who would be newly eligible for an EFA under the Universal House Plan. There are 158,275 students in NH district public schools and public charter schools in grades K through 12. I assume that 6.5% of the students in this pool would be newly eligible for the EFA program in year 1 and 65.8% of these students would be eligible in year 2.

Year 1 newly eligible public school students = $0.058 \times 158,275 = 9,189$ students

Year 2 newly eligible public school students = $0.658 \times 158,275 = 104,153$ students

Next, I apply take-up rates based on West Virginia's experience with its near-universal ESA program – 0.9% in year one and 2.2% in year 2 – to the number of newly eligible public school students:

Year 1 new EFA students: $9,189$ public school students $\times 0.009 = 83$ EFA students

Year 2 new EFA students: $104,153$ public school students $\times 0.022 = 2,291$ EFA students

Because these students would likely be enrolled in public schools without access to the EFA program and therefore a cost to the state, these students represent savings for state taxpayers which will offset some of the expansion costs.

Newly eligible private school and homeschool students

Next, I estimate the number of private school and homeschool students who would be eligible for an EFA. Private school and homeschool students who are not New Hampshire residents are not eligible for the EFA program and are therefore excluded. The analysis avoids double counting by subtracting students already enrolled in the EFA program.

Based on FY 2025 data from the NH DOE, there are 16,154 K-12 private school students and 3,499 homeschool students. We subtract 4,990 private school students who are out-of-state residents as they would not be eligible for an EFA.¹⁵ We then subtract half of homeschool students (2,897) as already participating in the EFA program. We estimate the pool of eligible private school and homeschool students as follows:

$16,154$ private school students + $3,499$ homeschool students — $4,990$ out-of-state private school students — $2,897$ EFA homeschool students = $11,766$ private school and homeschool students who are eligible for the EFA program.

¹⁵ This figure is based on private school enrollment data received from the NH Department of Education.

Next, we assume that 65.8% of the students in this pool would be newly eligible for the EFA program under universal expansion.

Year 1 newly eligible private school and homeschool students = $0.058 \times 11,766 = 683$ students

Year 2 newly eligible private school and homeschool students = $0.058 \times 11,766 = 7,743$ students

Next, the analysis assumes that 19.1% of eligible private school and homeschool students would participate in the universal EFA program during year 1 and 32.3% in year 2. These students are known as “non-switchers.”

Year 1 non-switchers = 0.191×683 eligible private and homeschool students = 130 new EFA students

Year 2 non-switchers = $0.323 \times 7,743$ eligible private and homeschool students = 2,501 students

Because these students would likely be enrolled in private schools without access to the EFA program, they do not generate any state savings that offset programs costs for the state.

Fiscal impact of a fully universal EFA program on state taxpayers

The net fiscal impact of a fully universal EFA program on state taxpayers is determined by the mix of “switchers” and “non-switchers.” The formula used to estimate the state fiscal impact for a fully universal EFA is the same as the one used for expansion under the Governor's Plan:

$$NFI (state) = Cost\ of\ EFA\ expansion \text{ — } Savings\ from\ new\ EFA\ students\ under\ expansion$$

Introducing “non-switchers” to the program will increase the program’s cost (the first term on the right) relative to the expansion under the Governor's Plan. “Switchers” will generate savings that offset all or part of the program costs (second term on the right). Next, I estimate the state fiscal impact for the first two years of a fully universal EFA program.

Year 1 (SY 2025-26) state fiscal impact

Recall that the estimate for the average cost per student for an EFA is \$4,410. The cost of EFAs from expanding eligibility in year 1 to students from households with income between 350% and 400% FPL is estimated as follows:

Year 1 EFA expansion cost = (83 switchers + 130 non-switchers) x \$4,410 = \$941,482

The state savings from switchers are estimated as follows:

Year 1 state savings from switchers = 83 x \$7,021 = \$582,720

The net fiscal impact on the state is the savings minus the cost for universal expansion:

Year 1 net fiscal impact on the state = \$582,720 savings from switchers — \$941,482 EFA cost of expansion = \$358,762 net cost to state taxpayers for EFA expansion

Year 2 (SY 2026-27) state fiscal impact

The cost of EFAs from expanding to a fully universal program in year 2 is estimated as follows:

Year 2 EFA expansion cost = (2,291 switchers + 2,501 non-switchers) x \$4,410 =
\$21,134,276

State savings from switchers are estimated above as follows:

Year 2 state savings from switchers = 2,291 x \$7,021 = \$16,084,475

The net fiscal impact on the state is the savings minus the cost for universal expansion:

Year 2 net fiscal impact on the state = \$16,084,475 savings from switchers — \$21,134,276 EFA cost of expansion = \$5,049,801 net cost to state taxpayers for EFA expansion

Fiscal effect of EFA expansion on local taxpayers in year 1 (2025-26)

As with the fiscal analysis of the Governor's Plan, the present analysis of the Universal House Plan uses the \$16,949 estimate of the average short-run variable cost (average additional cost) for educating a student in the NH public school system to estimate the fiscal effects of students switching out of public schools via the EFA program. Recall that the net fiscal effect of EFA expansion on local taxpayers compares the cost-savings from EFA students diverted from NH public schools with the reduction in revenue for NH public schools when EFA students leave. The cost-savings from not educating EFA students in NH public schools during 2025-26 is calculated as follows:

Cost-savings from year 1 of EFA expansion = (83 EFA students) x (\$16,949) = \$1,406,766

The second element is the amount of state revenue reduced for public schools when students switch into the EFA program:

Reduction in state revenue for public schools in year 1 = (83 EFA students) x (\$7,021) =
\$582,720

The net fiscal effect of EFA expansion on public schools is the cost-savings (short-run variable savings) minus the reduction in state revenue from students diverted from public schools. The present analysis estimates the short-run net savings for local taxpayers from EFA expansion as follows:

Net fiscal effect on local taxpayers from year 1 of EFA expansion = \$1,406,766 cost-savings) — (\$582,720 reduced state revenue) = \$824,046 net savings for local taxpayers

The details for the above calculation are as follows:

- The number of EFA students who would have been enrolled in a public school without access to the EFA program in year 1 is 83.
- The estimate of the variable cost of educating students in public schools is \$16,949, where this estimate is 64.4% of the \$26,320 total average cost of educating students in public schools in FY 2024. From appendix A, 64.4% is my estimate of average short-run variable costs per student in New Hampshire public schools.
- Average state revenues per public school student that are directly based on student enrollment is \$7,021.
- For year 1, the local taxpayer cost to educate EFA students in public schools is 83 students x \$16,949 = \$1.4 million.
- State revenue reduction to local public school districts for EFA students diverted from public schools in year 1 = 83 EFA students x \$7,021 = \$583,000.
- Savings to local taxpayers in year 1 = \$1.4 million - \$583,000 = \$824,000.

Fiscal effect of EFA expansion on local taxpayers in year 2 (2026-27)

The cost-savings from not educating EFA students in NH public schools during year 2 of EFA expansion (2026-27) is calculated as follows:

Cost-savings from year 2 of EFA expansion = (2,291 EFA students) x (\$16,949) =
\$38,830,118

The reduction in state revenue for public schools from switchers as a result of EFA expansion is:

Reduction in state revenue for public schools in year 2 = (2,291 EFA students) x (\$7,021) =
\$16,084,475

The net fiscal effect for local taxpayers from EFA expansion during year 2 (2026-27) is as follows:

Net fiscal effect on local taxpayers from year 2 of EFA expansion = (\$38,830,118 cost-savings) — (\$16,084,475 reduced state revenue) = \$22,745,643 net savings for local taxpayers

The details for the above calculation are as follows:

- The number of EFA students who would have been enrolled in a public school without access to the EFA program in year 2 is 2,291.
- The estimate of the variable cost of educating students in public schools is \$16,949, where this estimate is 64.4% of the \$26,320 total average cost of educating students in public schools in FY 2024. From appendix A, 64.4% is my estimate of average short-run variable costs per student in New Hampshire public schools.
- Average state revenues per public school student that are directly based on student enrollment is \$7,021.
- For year 2, the cost-savings for local taxpayers from not educating EFA students in public schools is 2,291 students x \$16,949 = \$38.8 million.
- State revenue reduction to local public school districts for EFA students diverted from public schools in year 2 = 2,291 EFA students x \$7,021 = \$16.1 million.
- Savings to local taxpayers in year 2 = \$38.8 million - \$16.1 million = \$22.7 million.

Appendix C provides a summary table for this fiscal analysis of a fully universal EFA program.

Conclusion

This paper presents fiscal analyses of two bills introduced in the New Hampshire legislature, the Governor's Plan and the Universal House Plan. Based on real-world experiences by other states with similar choice programs as those under consideration, and after taking account of both program costs and savings from students diverted from public schools, results indicate that EFA expansion under these bills would yield small net

costs to small net savings for state taxpayers. Estimates range from \$5.0 million in state net costs under the Universal House Plan to \$5.6 million in state net savings under the Governor's Plan. Public schools would not be fiscally harmed as their capacity to adjust their operations (variable cost-savings) exceeds their expected state revenue reduction in the short run.

Appendix A: Estimating short-run variable costs

Using data from school districts that lost students for reasons unrelated to school choice, Scafidi (2012) estimated the average short-run fixed and variable costs for all states, defining the short run as a single year-over-year period.¹⁶ His analysis relied on publicly reported expenditures across twelve cost categories, examining which categories saw actual spending reductions that exceeded the percentage decline in student enrollment. For instance, if a district's enrollment fell by one percent in a given year, his study identified the cost categories where spending dropped by more than one percent.

When districts lost students, they adjusted their budgets by reducing expenditures in several key areas—instruction, student support, instructional staff support, food service, and enterprise operations—at rates greater than their enrollment declines. In New Hampshire, these categories accounted for 72.3% of total per-student expenditures, meaning a substantial portion of school spending is variable even in the short run. For a more detailed breakdown, see Scafidi (2012).

Further reinforcing this point, Scafidi (2017) found that over the past several decades, public school districts—New Hampshire included—have consistently expanded their workforce, both teaching and non-teaching staff, at rates far exceeding student enrollment growth. This pattern suggests that a large share of personnel expenses should reasonably be considered a short-run variable cost.

Lueken uses a somewhat more cautious approach than Scafidi by considering three of the five categories he identified as variable in the short run: instruction, student support, and instructional staff support. Using data reported by the New Hampshire Department of Education to the U.S. Department of Education, I estimate that 64.4% of total costs are variable in the short run. Using this 64.4% estimate of short-run variable costs, I estimate that if EFA students were unable to access an account and instead enrolled in a public school, district costs would increase as follows for the 2025-26 and 2026-27 school years:

0.644 short-run variable cost rate x \$26,320 total expenditures per student = \$16,949

¹⁶ Two later studies—Bifulco & Reback (2014) and Lueken (2016)—arrived at estimates nearly identical to Scafidi (2012) using their professional judgment. In contrast, Dorfman (2019) took an econometric approach and came up with a significantly higher estimate of short-run variable costs than the three previous studies. Dr. Jeffrey Dorfman, the author of that study and currently the State Economist of Georgia, found that schools adjust their spending more flexibly in response to enrollment changes than the other studies suggest. Had I used Dorfman's higher estimate, this report would have projected much greater fiscal savings for local taxpayers from the EFA program. Instead, I relied on Scafidi's more conservative estimate of variable costs to ensure a cautious assessment of potential savings.

This \$16,949 per-student figure represents the additional cost, on average, of educating students who transfer into New Hampshire public schools. This estimate errs on the side of caution, as Scafidi (2012) found that districts tended to cut these costs at a greater rate than their enrollment declines—meaning the actual observed variable costs in public schools were even higher.

Importantly, this 64.4% estimate is based on how districts actually adjusted their spending when facing enrollment declines unrelated to school choice. Over the long run, all costs become variable as districts make broader strategic decisions about staffing and facilities.

For this report's fiscal analysis, I use \$16,949 as the statewide average for short-run variable costs in NH public schools. This figure aligns with Scafidi (2012) and two other studies on the topic. A fourth study, however, estimates significantly higher variable costs. I opted not to use that higher estimate, as doing so would have projected much larger fiscal savings from the EFA program. Instead, I chose the more conservative approach.

Appendix B: Summary table for fiscal analysis of the Governor's Plan

Table B1: Fiscal analysis of Education Freedom Account (EFA) program expansion under the Governor's Plan

	Year 1 (SY 2026-27)	Year 2 (SY 2027-28)
<i>EFA and Public School Costs</i>		
EFA amount	\$4,410	\$4,410
Total public school cost per pupil	\$26,320	\$26,320
Short-run variable cost as % of total cost	64.4%	64.4%
Est. Short-run variable cost per student	\$16,949	\$16,949
<i>Newly eligible EFA students (above 350% FPL, public & private schools)</i>		
Eligibility	All public K-12	All public K-12
Eligible public school students	147,404	147,404
Eligible private and homeschool students	0	0
% NH households w/ children above 350% FPL and below new eligibility threshold	65.8%	65.8%
Eligible public	97,000	97,000
Eligible private	0	0
Total eligible for EFA program	97,000	97,000
<i>Participation among new eligible students in EFA program under expansion</i>		
Est. take-up rate, public	0.9%	2.2%
Est. number of switchers	873	2,134
Est. take-up rate, private	19.1%	32.3%
Est. number of non-switchers	0	0
Total new EFA students (among new eligible)	873	2,134
<i>State fiscal impact of new EFA students under program expansion</i>		
Total cost for EFA expansion	(\$3,850,312)	(\$9,411,875)
State savings per student from switchers	\$7,021	\$7,021
State savings from switchers	\$6,129,091	\$14,982,222
Net state fiscal impact from EFA expansion	\$2,278,778	\$5,570,347
Total state expenditures on all public services	\$8,260,000,000	\$8,260,000,000
EFA cost as % of total state expenditures on all public services	0.03%	0.1%
Total expenditures for K-12 public schools	\$3,980,451,955	\$3,980,451,955
EFA cost as % of total K-12 expenditures	0.1%	0.1%
<i>Fiscal effects on school districts</i>		
New EFA students who are switchers	873	2,134
Marginal decrease in state funding when a student leaves public school	\$7,021	\$7,021
Total revenue reduction for school districts	(\$6,129,091)	(\$14,982,222)
Short-run variable cost-savings	\$14,796,461	\$36,169,128
Net short-run cost-savings	\$8,667,371	\$21,186,906

Sources: New Hampshire Department of Education; National Center for Education Statistics, U.S. Department of Education; U.S. Census Bureau

Note: Values in parentheses () denote a negative number or cost

Appendix C: Summary table for fiscal analysis of fully universal EFA program

Table C1: Fiscal analysis of Education Freedom Account (EFA) program expansion under the Universal House Plan

	Year 1 (SY 2025-26)	Year 2 (SY 2026-27)
<i>EFA and Public School Costs</i>		
EFA amount	\$4,410	\$4,410
Total public school cost per pupil	\$26,320	\$26,320
Short-run variable cost as % of total cost	64.4%	64.4%
Est. Short-run variable cost per student	\$16,949	\$16,949
<i>Newly eligible EFA students (above 350% FPL, public & private schools)</i>		
Eligibility	400% FPL	Fully universal
Eligible public school students	158,275	158,275
Eligible private and homeschool students	11,766	11,766
% NH households w/ children above 350% FPL and below new eligibility threshold	5.8%	65.8%
Eligible public	9,189	104,153
Eligible private	683	7,743
Total eligible for EFA program	9,872	111,896
<i>Participation among new eligible students in EFA program under expansion</i>		
Est. take-up rate, public	0.9%	2.2%
Est. number of switchers	83	2,291
Est. take-up rate, private	19.1%	32.3%
Est. number of non-switchers	130	2,501
Total new EFA students (among new eligible)	213	4,792
<i>State fiscal impact of new EFA students under program expansion</i>		
Total cost for EFA expansion	(\$941,482)	(\$21,134,276)
State savings per student from switchers	\$7,021	\$7,021
State savings from switchers	\$582,720	\$16,084,475
Net state fiscal impact from EFA expansion	(\$358,762)	(\$5,049,801)
Total state expenditures on all public services	\$8,260,000,000	\$8,260,000,000
EFA cost as % of total state expenditures on all public services	0.004%	0.1%
Total expenditures for K-12 public schools	\$3,980,451,955	\$3,980,451,955
EFA cost as % of total K-12 expenditures	0.01%	0.1%
<i>Fiscal effects on school districts</i>		
New EFA students who are switchers	83	2,291
Marginal decrease in state funding when a student leaves public school	\$7,021	\$7,021
Total revenue reduction for school districts	(\$582,720)	(\$16,084,475)
Short-run variable cost-savings	\$1,406,766	\$38,830,118
Net short-run cost-savings	\$824,046	\$22,745,643

Sources: New Hampshire Department of Education; National Center for Education Statistics, U.S. Department of Education; U.S. Census Bureau

Note: Values in parentheses () denote a negative number or cost