

## **Modeling the Financial Impacts of SB 193**

In order to inform the public about SB 193's potential financial impacts, Reaching Higher modeled likely outcomes. Here are the steps we used to build and execute the financial model.

### **Step 1. Project School District Enrollment:**

Reaching Higher's model projects school districts' student [populations](#) for the next five years. The model adjusts school districts' populations each year using a growth factor that reflects the average change in enrollment over the past 3 years adjusted downward to account for state forecasts indicating a decline in the rate of change of school-age populations. For example, for school year 2016-2017 Berlin reported student enrollment at 1,174; based upon the rate of change since school year 2014-2015, the model projects a base enrollment of 1,159 and then continues to adjust downward each year.

### **Step 2. Determine # of Eligible Students:**

In order to ensure replicability and accuracy, the Reaching Higher model uses school district data on percentages of students eligible for [free or reduced-price lunch](#) (FRL). FRL eligibility extends only to students from households who earn less than 185% of the [federal poverty level](#) (FPL). SB 193 extends eligibility to students from households who earn up to 300% FPL and so FRL is a conservative metric, but it utilizes the best, most up-to-date publicly-available data. (Note: there is not readily-available public data to accurately model eligible student populations beyond those who qualify due to family income.)

### **Step 3. Assign Per Pupil State Aid:**

SB 193 provides families with public dollars equivalent to the per pupil amount of state adequacy aid that the student's public school would otherwise be eligible to receive. The Reaching Higher model assigns \$5,454 for per pupil state aid. This equals the [FY 2018](#) base amount (\$3,636) and differentiated aid for FRL-eligible students (\$1,818). This amount is consistent with Step 1. as the only students who select vouchers in Reaching Higher's model are FRL-eligible; and conservative as it excludes any additional differentiated aid (e.g., \$1,956 for special education) that a family could receive (and school districts lose) under SB 193.

### **Step 3. Assume Adoption/Take Up Rate:**

Reaching Higher's model assumes 3% of eligible students will select a voucher every year (~1,400 - 1,500 a year). This is based on the experiences of Indiana's Choice Scholarship Program and the New Hampshire Education Tax Credit Scholarship program. (Note: based on the experience of comparable programs in other states, Reaching Higher's model assumes that ¼ of students who select a voucher will eventually return to public school.)

### **Step 4. Determine Stabilization Aid:**

SB 193 directs the Commissioner of Education to provide school districts with stabilization grants in situations where the number of students in a district that select a voucher will result in a loss of state aid in excess of ¼ of 1% of the district's prior year voted appropriations. In such cases the Commissioner will disburse a stabilization grant equivalent to the loss of state aid in excess of the ¼ of 1%. Reaching Higher's model uses 2017 appropriations data (latest available) as reported by school districts on the MS-22-R documentation submitted to the Department of

Revenue Administration. Berlin, for example, reported appropriations of \$21,798,187 in 2017. If Berlin sees a reduction of state aid in excess of \$54,495 due to students selecting vouchers (~10 students), it will receive a stabilization grant from the Commissioner. The amount of the annual grant will equal any loss of state aid in excess of the \$54,495.

The model uses 2017 appropriations data and holds this figure constant for each of the five years examined by the model. In reality, school districts will see changes in their budgets; however, it is not possible to accurately model such changes with any reasonable degree of confidence. Budgets reflect local decision-making and as such each district has its own unique set of variables that determine annual appropriations. While acknowledging this way in which the model deviates from reality, the overall impact is actually relatively minor as absent extremely volatile changes in appropriations, the larger impact of SB 193 will be determined by the size of a district's eligible student population and adoption rates. As an example, the model uses Concord's 2017 appropriations of ~\$85.5 million across all five years and projects a total loss of state aid of \$1.3 million and stabilization grants worth a total of ~\$847,000 (for a total net impact of negative ~\$495,000). If we adjusted Concord's appropriations downward each year to match the decline in enrollment, the result is a projected total loss of \$1.3 million in state aid and stabilization grants worth ~\$892,00 (for a total net impact of negative ~\$449,000). The overall difference between the two scenarios is only around \$50,000, small enough to underscore how 2017 appropriations provides a reasonable data point to project financial impact over five years.

Reaching Higher's model examines 162 school districts. Public Academies and the Prospect Mountain Joint Maintenance Agreement are not included in the analysis. Similarly, Chatham and Rivendell school districts are excluded as they send students to Maine and Vermont; and Surry School District is not included for grades K-8. Finally, appropriations data for 15 districts that primarily send students to another district (e.g., Benton school district sends its students to Haverhill) are included in the appropriations of the receiving districts.

It is not possible to accurately model all tuition and other similar agreements between and across districts as such data is not available to the public; however, the appropriations data submitted on MS-22-Rs provides sufficient information to effectively demonstrate probable financial impacts.

### **Step 5. Adjust Over Time:**

Reaching Higher models financial impacts for five years. Each year the model adjusts for three factors:

- A. Projected change in school district enrollment – the model adjusts the prior year's ending enrollment by each district's unique growth (or decline) factor as described in Step 1.
- B. Account for returning voucher students – each year the model assumes  $\frac{1}{4}$  of students who have selected a voucher will return to public school; such returning students are added back to the overall district enrollment numbers.
- C. Account for cumulative growth in stabilization grants – SB 193 stipulates that the Commissioner will provide stabilization grants for the current and next four years. This means that if districts receive stabilization grants multiple years in a row, the grants will build over time so that in year 3, for example, a district will receive stabilization grants for years 1, 2, and 3.