REACHING HIGHER NH

Modeling the Financial Impacts of SB 130

In order to inform the public about SB 130's potential financial impacts, Reaching Higher modeled likely outcomes. Here are the steps we used to build the financial model.

Step 1. Project School District Enrollment: Reaching Higher's model projects school districts' student populations for the next five years. This model assumes that the annual change in enrollment is constant over the next five years, and equal to the average change in enrollment between the 2017-2018 and 2019-2020 school years. This assumption will likely overestimate the enrollment numbers of the districts, but this effect will be counteracted by the conservative way in which the eligibility of students for voucher programs is calculated in Step 2.

The model uses the 2019-2020 school year as the base year for estimates. New Hampshire public schools experienced a dip in enrollment in Fall 2020, largely attributed to the pandemic. School leaders have testified that the majority of these students were kindergarteners and first graders whose families deferred their schooling for a year, but they expect these students to return in Fall 2021.

Example: For the 2019-2020 school year, Bedford's student enrollment declined 0.64% between 2018 and 2019, and 1.02% between 2019 and 2020. For 2022 through 2025, we estimated an annual decline of 0.83%.

Step 2. Determine # of Eligible Students: While SB 130 extends eligibility to students whose families earn less than 300% of the Federal Poverty Guideline, our model accounts only for the students who enrolled in the Free and Reduced-Price Lunch program. Students whose families earn at or less than 185% of the Federal Poverty Guideline qualify for this program, as published by the US Department of Agriculture.

The result is a conservative model: statewide, 27% of students enrolled in FRL (185% of the Federal Poverty Guideline), while the Census Bureau estimates that approximately 38% of school-aged children are from families who earn 300% of the Federal Poverty Guideline or less. FRL eligibility extends only to students from households who earn less than 185% of the Federal Poverty Guidelines as published by the US Department of Agriculture.

SB 130 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 130 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, minus the administrative fee imposed by the independent scholarship organization (up to 10% of the total value of the voucher).

The Reaching Higher model sets the minimum voucher amount at $5,679.98 per student. This equals the FY 2022 base amount ($3,786.66) and differentiated aid for FRL-eligible students ($1,893.32). This amount is consistent with Step 2, 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., special education, English Language Learners, and Grade 3 reading differential) that a family could receive (and school districts lose) under SB 130.

Step 3. Assume Adoption/Take Up Rate: Reaching Higher's model assumes 3% of eligible students will select a voucher every year. This is based on the experiences of Indiana's Choice Scholarship Program and the New Hampshire Education Tax Credit Scholarship program. (Note: Reaching Higher NH does not account for students who may return to their public schools after enrolling in the voucher program; however, other states have found that the number of students who enroll in a voucher program for one year is 10 times higher than the number of students who enroll in a voucher program for four years.[1])

Step 4. Determine Phase-Out Aid: SB 130 provides districts with a phase-out grant that provides them with 50% of the lost state aid for the first year of a student's disenrollment from their district, and 25% of the lost state aid for the second year of the student's disenrollment. The phase-out grant phases out at year three.

	Year One	Year Two	Year Three
Student Disenrolls from Public School	50% of Reduction in State Aid	25% of Reduction in State Aid	0% of Reduction in State Aid

The Reaching Higher NH model assumes that:

1. Students who disenroll from their public schools to enroll in voucher programs are evenly distributed in K-12 (for example, if 26 students adopt a voucher, they are distributed as two students from each grade);
2. Public schools would receive phase-out grants for kindergarten students and first grade students who were not previously enrolled in district kindergarten (NOTE: this is not specified in law, but is an assumption in the model for clarity and replicability); and,
3. The amount of state aid, and therefore the voucher, remain at the same amount and are not adjusted for inflation. This is a conservative assumption, as state law currently

[1] More findings about school vouchers and test scores, and they are still negative, *Brookings Institution,* July 13, 2017.

requires the NH Department of Education to adjust the amount of state aid for inflation every two years.

The calculations for the phase-out grant are as follows:

	Year One	Year Two	Year Three
Student Disenrolls from Public School	= # Students * $2,340	(# Students x 1/13 x $2,340) **+** (# Students x 12/13 x $1,420)	(# Students x 1/13 x $2,340) **+** (# Students x 1/13 x $1,420)

$2,340 = 50% of State Aid
$1,420 = 25% of State Aid
1/13 = Number of voucher students in one particular grade (Model assumes that students are evenly distributed throughout grades)

Reaching Higher's model examines the 245 municipalities included in the NH Department of Education Adequate Education Spreadsheet. Public academies, charter schools, territories, joint and cooperative school districts, and the Prospect Mountain Joint Maintenance Agreement are not included in the analysis.

Step 5. Adjust Over Time: Reaching Higher models financial impacts for five years under the following three assumptions:

A. Projected change in school district enrollment – the models adjusts the prior year's ending enrollment by each district's unique growth (or decline) factor as described in Step 1.

B. No inflation adjustments -- the model does not adjust for inflation in the state aid formula. Every two years, the base adequacy grant and differential aid amounts increase due to a statutory adjustment. However, this number is not consistent, and the amount of increase, beginning in 2024, is unknown. Therefore, the figures for 2024 through 2026 are conservative, since districts would likely receive state aid based on the inflationary adjustment.

B. Account for phase-out grants – SB 130 provides districts with phase-out grants for two years. The model uses the formula in Step 4 to account for the phase-out of grants.