



*Fiscal Research  
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# Fiscal Effects of the New Hampshire Education Freedom Account Program

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### Summary

This brief presents the results of a fiscal analysis of the New Hampshire Education Freedom Account Program. The Education Freedom Account Program enables students from low- and middle-income households to access education savings accounts (ESAs) designated for various educational purposes such as private school tuition, tutoring, textbooks, curriculum, educational therapies, and related expenses.

### New Hampshire Education Freedom Accounts Program

- During school year 2023-24, the program's third year, the program generated an estimated \$8.7 million in net fiscal benefits for state and local taxpayers combined.
- In the long run, the program will generate \$23.1 million in net fiscal benefits annually from this third-year cohort of students.
- The New Hampshire Education Freedom Account Program provides ESAs worth an average of \$5,255 for eligible students. This amount is worth 23% of the total per-pupil cost for New Hampshire public schools.
- The total cost for New Hampshire's ESA program is \$24.8 million for the third year (school year 2023-24). This cost represents 0.7% of the \$3.5 billion funding that New Hampshire public schools receive from local, state, and federal sources. The program cost represents 0.3% of the state's total expenditure on public services.

### *Fiscal Analysis of the New Hampshire Education Freedom Account Program*

This brief presents the results of a fiscal analysis of the New Hampshire Education Freedom Account Program. The Education Freedom Account Program enables students from low- and middle-income households to access education savings accounts (ESAs) designated for various educational purposes such as private school tuition, tutoring, textbooks, curriculum, educational therapies, and related expenses.

The analysis covers the school years from 2021-22 to 2023-24. I estimate the short run and long run fiscal effects on state and local taxpayers combined for the program's first year's cohort of ESA students. The analysis employs the same methods used in Lueken (2021) and Lueken (2018).<sup>1</sup>

During the program's initial two years, students were eligible if their annual household income at the time of application for the program was less than or equal to 300% of the federal poverty level (\$79,500 for a family of four in 2021–22). For school year 2023–24, the program's third year, the income requirement was raised to 350% of the federal poverty level (\$83,250 for a family of four in 2022–23). There are no requirements for a child to have been enrolled in a public school.

During the program's first year, an estimated 59,412 students in New Hampshire were eligible for the program. This represents 31.9% of all K-12 public and private school students. In the third year when the program expanded eligibility, 48.6% of all New Hampshire K-12 students were eligible for the program.

In the program's first year (2021–22 school year), 1,920 students used an ESA. This participation represents 3.2% of eligible students. The average ESA cost was \$4,367. The total program cost that year amounted to \$8.4 million. By the third year, 4,727 students participated in the program, or 5.3% of all eligible students. The cost of the program that year increased to \$24.8 million (Table 1).

**Table 1: Participation and Cost for the New Hampshire Education Freedom Accounts Program**

	Year 1 (SY 2021-22)	Year 2 (SY 2022-23)	Year 3 (SY 2023-24)
Total number of students eligible for ESA	59,412	55,663	88,948
Number of ESAs	1,920	3,223	4,727
ESA participation as % of eligible students	3.2%	5.8%	5.3%
Avg. ESA amount	\$4,367	\$4,684	\$5,255
Total ESA cost	\$8,385,158	\$15,098,111	\$24,840,385

Source: EdChoice

Table 2 provides context for the program's cost by comparing it to total funding for New Hampshire public schools and the state's total expenditures. The \$24.8 million ESA program cost for FY 2024 represents 0.7% of the \$3.5 billion funding that New Hampshire public schools receive from local, state, and federal sources. The program cost represents 0.3% of the state's total expenditures on public services in FY 2023.<sup>2</sup>

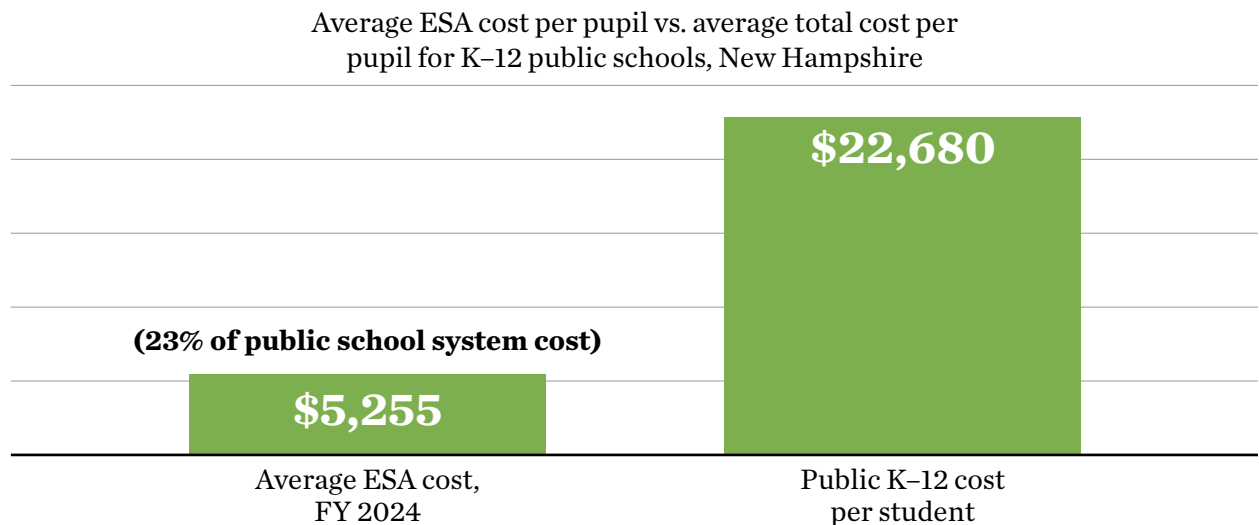
**Table 2: New Hampshire ESA program cost as percentages of total funding for public schools and total state expenditures**

Total ESA cost	\$8,385,158	\$15,098,111	\$24,840,385
Total K-12 funding from all sources	\$3,356,028,124	\$3,494,664,737	\$3,494,664,737
ESA cost as % of NH public K-12 funding	0.2%	0.4%	0.7%
Total state budget	\$7,822,000,000	\$8,260,000,000	\$8,260,000,000
ESA cost as % of NH total state budget	0.1%	0.2%	0.3%

Sources: U.S. Department of Education, National Center for Education Statistics; National Association of State Budget Officers

The average ESA cost for FY 2024 is worth just 23% of the total per-pupil cost for New Hampshire public schools (Figure 1). This funding gap implies net fiscal benefits worth more than \$17,000 when a student switches from a public school to a private school via the ESA program. These fiscal benefits are distributed among state taxpayers, local taxpayers, and school districts.

**Figure 1: Comparing the cost of New Hampshire’s ESA program to New Hampshire public school costs**



Switchers are an important factor for determining the fiscal effects of a choice program because taxpayers no longer fund students when they aren’t enrolled in public schools. Switchers are students who would have enrolled in a public school without any financial assistance from a choice program. These students represent both a cost when they participate in the ESA program and savings when they leave a public school.

A recent policy brief by EdChoice estimated that around 45% of ESA students were enrolled in public schools before they participated in either New Hampshire’s tax-credit scholarship program or ESA program.<sup>3</sup> This implies that 2,116 of the 4,727 ESA students in FY 2024 are switchers and generate savings for taxpayers.

When students leave public schools for any reason, educational costs decrease by some variable amount. In the short run, some costs are variable while other costs are fixed or semi-fixed.<sup>4</sup> Economists estimate that roughly two-thirds of total costs are variable in the short run.<sup>5</sup> In the long run, all costs become variable as public schools can fully adjust for a change in student enrollment over time.

The present analysis assumes that three categorical expenditures are variable in the short run: instruction, instructional staff support services, and student support services.<sup>6</sup> Based on the most recently available federal data on school finance, 69.8% of total costs are variable in the short run for New Hampshire public schools, or \$15,836 per student. The 2,116 switchers in the ESA program during FY 2024 generate approximately \$33.5 million in short-run variable savings. These savings completely offset the total ESA cost of \$24.8 million, and the program’s third year generated an estimated \$8.7 million in net fiscal benefits overall for state and local taxpayers combined (Table 3).

Over time, districts can adjust educational costs fully for the cohort of students who switch from public schools. The analysis uses average total cost per student for public schools to estimate long run savings, or \$22,680 per student. For school year 2023-24, the program’s third year, we estimate \$48.0 million in variable savings annually in the long term for the program’s third year cohort. These savings completely offset the cost of the program. Thus, the program will generate \$23.1 million in net fiscal benefits annually over the long run from that particular group of students.

**Table 3: Short run and long run fiscal effects on state and local taxpayers combined**

	SY 2021-22	SY 2022-23	SY 2023-24
Est. % of ESA students who are switchers	44.6%	45.5%	44.8%
Number of switchers	857	1,468	2,116
<b>Short-run fiscal effects</b>			
Total per-pupil cost for public schools	\$21,534	\$22,680	\$22,680
% of total costs that are variable in the short run	69.8%	69.8%	69.8%
Short run avg. variable cost per student	\$15,036	\$15,836	\$15,836
Est. short-run variable savings	\$12,886,058	\$23,247,350	\$33,509,123
Total ESA cost	(\$8,385,158)	(\$15,098,111)	(\$24,840,385)
Net short-run fiscal effect	\$4,500,900	\$8,149,238	\$8,668,738
<b>Long-run fiscal effects</b>			
LR avg. variable cost per student	\$21,534	\$22,680	\$22,680
Est. long-run variable savings	\$18,454,689	\$33,293,550	\$47,989,885
Total ESA cost	(\$8,385,158)	(\$15,098,111)	(\$24,840,385)
Net long-run fiscal effect	\$10,069,531	\$18,195,439	\$23,149,500

Note: numbers in parentheses denotes a negative value

## NOTES

1. Martin F. Lueken (2021), Fiscal Effects of School Choice: Analyzing the costs and savings of private school choice programs in America, EdChoice, Fiscal Research and Education Center, <https://www.edchoice.org/wp-content/uploads/2021/11/The-Fiscal-Effects-of-School-Choice-WEB-reduced.pdf>; Martin F. Lueken (2018), The fiscal effects of tax-credit scholarship programs in the United States, *Journal of School Choice*, 12(2), pp. 181-215, <https://doi.org/10.1080/15582159.2018.1447725>

2. National Association of State Budget Officers (2023), 2023 State Expenditure Report: Fiscal Years 2021-2023, [https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2023\\_State\\_Expenditure\\_Report-S.pdf](https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2023_State_Expenditure_Report-S.pdf)

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

4. Martin F. Lueken (2017). On Educational Costs: Fixed, Quasi-fixed and Variable Costs, EdChoice, <https://www.edchoice.org/wp-content/uploads/2017/06/2017-3-Fixed-vs-Variable-Cost-One-Pager.pdf>

5. Benjamin Scafidi, The Fiscal Effects of School Choice Programs on Public School Districts, Friedman Foundation for Educational Choice, retrieved from EdChoice website: <https://www.edchoice.org/wp-content/uploads/2015/07/The-Fiscal-Effects-of-School-Choice-Programs.pdf>; Robert Bifulco and Randall Reback (2014), Fiscal Impacts of Charter Schools: Lessons from New York, *Education Finance and Policy* 9(1), pp. 86–107, [http://dx.doi.org/10.1162/EDFP\\_a\\_00121](http://dx.doi.org/10.1162/EDFP_a_00121)

6. This method is similar to Scafidi (2012), who found that enterprise operations and food service categorical expenditures were also variable in the short run, in addition to instruction, instructional staff support services, and student support services. The present analysis excludes enterprise operations and food service from variable cost estimates and is therefore more cautious.