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Educational Choice

Presents

The Fiscal Impacts of School Choice in New Hampshire

By Brian J. Gottlob
PolEcon Research

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About The Author

Brian J. Gottlob is the Principal of PolEcon Research. For fifteen years Brian has analyzed economic, demographic, fiscal, labor market and industry trends for private sector, government and not-for-profit organizations. Brian has extensive experience using and developing econometric models and with preparing economic, demographic, and fiscal impact analyses. He is a regular commentator in the media and a frequently requested speaker at seminars and conferences on issues affecting the economy. For ten years, Brian was a Vice President of the Business and Industry Association of New Hampshire where he conducted research on the New Hampshire economy and where he guided the organization's fiscal and economic policy activities. During that time, he developed a solid reputation among lawmakers, public officials, and the business community for his ability to produce accurate forecasts and projections of the impacts of changes in tax, regulatory and other public policy actions. Brian is on the Advisory Board of the New England Economic Project (NEEP), is a member of the National Association of Business Economics and is a part-time instructor at the Whittemore School of Business and Economics at the University of New Hampshire. Brian can be reached by email at bgottlob@poleconresearch.com.

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The Fiscal Impacts of School Choice in New Hampshire

By Brian J. Gottlob, PolEcon Research

I. Executive Summary

This study addresses the fiscal impacts of school choice in New Hampshire. We use one example from the 2003 New Hampshire legislative session to illustrate the fiscal impacts of school choice on New Hampshire and its communities. We develop a unique database of individual and household level responses from the 2000 Census of New Hampshire residents to profile and understand the demographic and economic characteristics of children and families in public and private schools. We use the most recent data available to estimate the percentage of elementary school costs that are fixed versus variable across school districts in New Hampshire, we estimate how a school choice proposal will impact total state aid to education, the financial impact choice will have on each school district in the state, and how school district costs will change in response to school choice initiatives. Finally, we examine how private school attendance affects taxes and expenditures of local communities. Our results indicate that:

- Because choice would result in fewer students in government schools, communities would have received $4,933,914 less in state adequacy grants in 2004 under HB 754 (the state would make those payments to parents), but communities would also have avoided costs, as a result of 2,000 fewer students, of $13,724,991. The net impact on communities under full implementation of HB 754 in 2004 would be a benefit of $8,791,057.
- The State of New Hampshire will spend similar amounts of Education Trust Fund moneys with or without school choice but the State will incur a small increase (between $300,000 and $1,000,000) in Education Trust Fund expenses as a result of "deadweight effects" of a school choice proposal. Deadweight effects occur because some children, who had been planning on attending private schools even without a school choice initiative, will receive the benefit of the choice program.
- Using data from school district financial reports, we estimate the variable cost of educating each elementary student in New Hampshire to be in a range between $5,900 and $7,200 or between 73 percent and 87 percent of total elementary expenditures.
- A school choice program that is fully utilized and which allows an additional 2,000 choice students annually (a total of 14,000 after seven years), could increase the percentage of New Hampshire students attending private schools from 11 percent to 16 percent after seven years.

- As the percentage of students in private schools increases in a community, education expenditures and tax rates decline. For every 10 percent increase in the percentage of children enrolled in private schools in a community (say going from 10% to 11%), total education expenditures are 1.75 percent lower and local education tax rates are 1.5 percent lower.
- By 2010, a school choice program similar to HB 754 (2003) would result in education expenditures that are 8.5 percent lower and local education tax rates that are 7.2 percent lower than they would have been in the absence of school choice.

Our report concludes that because the dollar amount of each voucher is much less than the variable cost associated with educating each student, a school choice program that provides payments to parents who wish to enroll their children in private schools cannot financially impair school districts. When the loss of variable costs in a district (those associated with students in the choice program leaving public schools), is compared to the loss of state aid associated with those students, there is a net financial gain to communities from a school choice program. This is especially true where the state adequacy aid per pupil in a district represents only a small portion of the total per pupil cost of educating a child in the district. We do not conclude, however, that school districts should be indifferent to this loss of revenue. Rather, school administrators and local officials should look to participation in and demand for school choice in their district as an opportunity to assess satisfaction with the performance of their district.

II. Introduction

Few public policy issues generate more heated debate among lawmakers, academics, and the public than does the issue of school choice. These debates often produce more "heat than light". Proponents see choice as the only viable way to improve the overall academic performance and efficiency of public schools, and as a way to create greater educational opportunities for children, especially children from families with limited income. Opponents see choice as an attempt to avoid confronting what they see as the real problems of public schools, and as an attack on our nation's tradition of public education that siphons funds and support from public schools.

Between those opposing views lie a number of important policy issues that must be considered before a reasoned decision can be made about the viability, efficacy and wisdom of school choice. First among these issues in New Hampshire is whether school choice can increase educational opportunities (and achievement) for children at a price that is lower than the price of increasing opportunities and outcomes without choice. A related issue is whether school choice, by allowing education funding to follow children to schools of their choice, makes improving public schools harder by removing resources from public schools while maintaining or increasing costs. The evidence from objective studies of the educational achievement impacts of school choice programs is becoming clearer and is encouraging, but unless questions about the financial implications to states and school districts can be understood, the full benefits of a broader system of school choice will not be implemented.

School choice proposals call for education funding to follow students to their chosen schools. Opponents of choice are troubled by a number of the principles of school choice but the loss of students and state funding for public schools is prominent among them. Even without a program of school choice, however, the process of state education dollars following students occurs in New Hampshire because state education aid dollars flow to school districts according to the size of their enrollments. Each year between 1995 and 2000, an estimated 60-70,000 citizens changed residence from one community to another in New Hampshire[1], and at least 10,000 of these are likely to be school aged children. Thus school districts are subject to the flow of students and state education aid funds between communities of more than $30 million annually.

In comparison, a program of school choice that allows funding to follow just 2,000 children annually[2] would seem to be of little consequence. The difference of course is that most school choice programs allow school funding to follow students to private schools. Nevertheless, from a strictly financial perspective, the fiscal impact on communities and school districts of losing students (via choice or migration among communities) will be the same whether a student, and the state aid that school districts receive for each, is lost to another public school or to a private school. To communities and their school districts, the financial equivalency of the loss of students due to a program of choice, or to migration, should be clear[3].

When students leave a government run school district to attend another district, or to attend a private school, there is a reduction in state revenue as well as a reduction in school district costs. In communities where state revenues represent only a small portion of the cost of educating a student, the reduction in costs associated with losing students will be much greater than the loss of state revenue and the school district, as well as local taxpayers who support it, receive a substantial fiscal benefit. The opposite may be true if state funds pay for most or all of the costs associated with educating students in a community. In evaluating the financial impacts of school choice proposals, the relevant question then, is whether the decline in revenue in response to a loss of students is equal to or exceeded by the reduction in costs associated with each student lost. Answering this question will substantiate or refute the most basic concern over school choice, that the dollar amount of state aid that follows students to their private schools of choice may harm the financial condition of school districts. School districts could be financially harmed if the dollar amount of vouchers exceeds the variable cost of educating each student[4]. If this occurs, each departing school choice student will take some of the funds used to educated remaining students in the district.

Most public school administrators as well as many lawmakers in New Hampshire have made clear their view on this issue. They argue that the current, state guaranteed, per pupil "adequate education" funding level of $3,390[5] is insufficient to cover the costs of adequately educating a child. Assuming their assessment is correct, the loss of students in a district (either by a choice program, migration, or population trends) should be desirable from a financial perspective because the loss of state revenue associated with each child would be much less than the reduction in costs incurred to educate a child. Under the view of the "adequacy" of state per pupil education aid in New Hampshire held by most school officials, a school choice proposal that provides parents with a

voucher equal to 80 percent of the $3,390 guaranteed per pupil state adequacy grant could not possibly harm school districts by "draining" funds from public schools.

From an economic perspective then, there should be little disagreement over the fiscal implications of a school choice program in New Hampshire. Both proponents and opponents appear to argue that state per pupil education aid (either as aid to a school district or in the form of a voucher payment) is less than the actual per pupil cost of educating a child and thus reductions in state education aid associated with a loss of students would be less than the cost of educating those children, making a school district, financially better off.

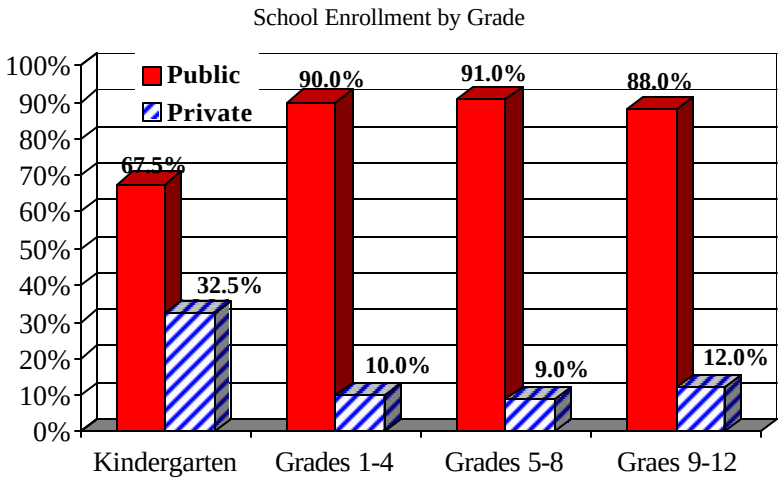
The financial implications of the views of choice proponents and opponents may be inherently similar but their perspectives on school choice remain dramatically different. To date, neither has provided a solid empirical assessment of school choice in New Hampshire to support their views. This report seeks to remedy that by quantitatively evaluating the arguments surrounding the fiscal impacts of a school choice program in New Hampshire.

Our analysis begins by placing school choice into the context of the current educational and demographic situations of school children in the state. We use data from the New Hampshire Department of Education along with data obtained from the US Census Bureau to estimate the percentage of children in public and private schools (including those that may be attending schools outside of New Hampshire and thus not counted by the New Hampshire Department of Education) disaggregated to the community level, and to estimate how the distribution of students between public and private schools will be affected under one proposed choice program. We use econometric methods to estimate how school expenditures will be affected by changes in the distribution of students between public and private schools as a result of choice. We develop estimates of the percentage of education costs that are variable (and thus rise or fall with the number of students in a district) and we evaluate how state education aid to each community will be affected by a school choice program, using the most recent method of calculating state education aid[6]. Finally, we compare our analysis of the state aid impacts of school choice on each community with our estimate of the variable cost implications of choice in each community, to arrive at an estimate of the net fiscal impact of a choice program on every town in New Hampshire.

III. The Impact of Choice on Public School Enrollments in New Hampshire

Almost 24,000 or just over 10 percent of New Hampshire school children were educated in New Hampshire private schools during the 2002-2003 school year (Figure # 1). One recent choice initiative in New Hampshire has proposed allowing 2,000 children annually (up to a maximum of 14,000 after 7 years) who are entering or currently educated in New Hampshire public schools to use vouchers to attend private schools in the state[7].

Just Over 10% of NH Children Attend Private Schools



Source: PolEcon Analysis of US Census 2000, Public Use Microdata Files (PUMS 1% Sample)

Figure 1

The implication of such a proposal on the distribution of school enrollment between public and private schools in New Hampshire depends upon several factors:

- The number of public students who actually participate in the choice program, the "take-up" rate of the program.
- The number of choice students who receive vouchers to attend private schools even though they would have attended private schools in the absence of the choice program, the "deadweight effects" of the program.
- Population trends of school aged children. If the school-age population is increasing rapidly, the percentage of children in private schools will not rise significantly even if choice increases the number of private school students.

Our estimate of the distributional impacts of choice uses the following assumptions:

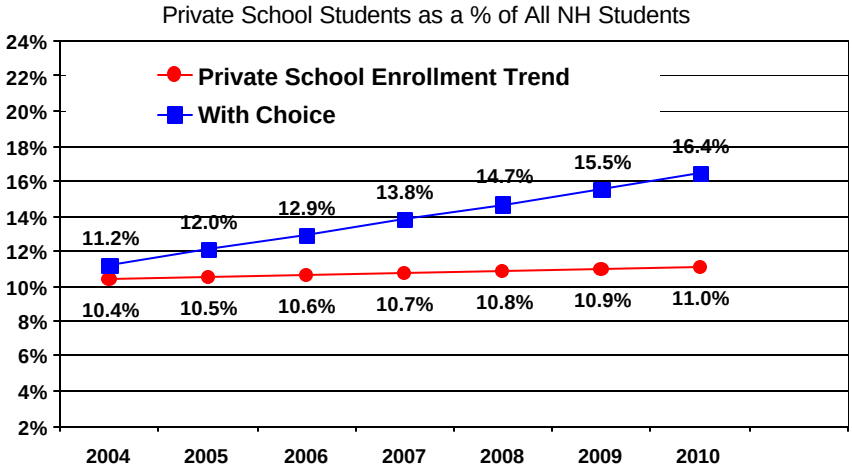
- Full utilization of the choice program or a "take-up" rate of 100 percent will occur. This is admittedly an unrealistic assumption, especially in the early years of the program. We use this assumption throughout our analysis to demonstrate the maximum potential impact that a choice program could have on enrollments, state aid and finances, etc.
- The "deadweight effects" will be 10 percent of new choice students annually. Because 10 percent of the state's school children are currently in private schools, we assume that 10 percent of the students who participate in the choice program will receive the benefit of vouchers even though they would have entered private school in the absence of the program.

- We used population projections from the NH Office of State Planning[8], by age, to estimate changes in school enrollments to the year 2010. These projections show essentially stagnant growth of the total school age population over that time (with some ages growing and others declining but the net being slight growth).
- We assume that private school enrollments will continue to increase slightly (following recent trends), even in the absence of a school choice program.

Our estimates are that a fully utilized school choice program that allows 2,000 new choice students annually for 7 years, and where 10% of those students are "deadweight effects" (and thus do not increase private school enrollments over what they would have been without choice), and where the school age population is growing at an average annual rate of only .2 percent over the next seven years, is that the percentage of school children in New Hampshire private schools will be 5 percent greater after seven years than it would have been without choice.

Our estimate is that a school choice program such as that outlined above, will result in 38,500 students in private schools in New Hampshire, or an additional 12,600 private school students over above what would have occurred in the absence of choice, and moving the percentage of private school students to 16.4 percent, or about 5 percent above our projection of the percentage of private school students in the absence of choice (Figure # 2).

With Full Utilization of The Choice Program Over 7 Years (an Unlikely Scenario), and Assuming 10% "Deadweight Loss", The Percentage of Children in Private School Would Increase From 11% to 16%



Source: PolEcon Analysis of NH OSP and NH Dept. of Education Data

Figure 2

V. Increasing the Percentage of Students in Private Schools Will Reduce Total Public School Expenditures

We used US Census Bureau estimates of the number of children enrolled in public and private schools, to calculate the percentage of each community's school age population in both public and private schools at the elementary and secondary school level. Table # 1 presents Census estimates of the percentage of students enrolled in private schools by community in New Hampshire[9], for many of the largest communities in the state. Communities with private school enrollments at least 20 percent above the state average are highlighted.

We use income and other demographic data from the Census, tax and property wealth data from the New Hampshire Department of Revenue, and detailed financial data for every school district from the New Hampshire's Department of Education, to create a detailed dataset of educational, demographic, and fiscal data for each community. We employ this dataset to develop a model[10] that determines how overall school expenditures[11] vary according to the percentage of children enrolled in private schools. Results of several different regression models indicate that for every 10 percent increase in the percentage a town's children enrolled in private school (say going from 10% to 11%), there is a 1.49 percent to 2.01 percent reduction in total school expenditures, when the income and property wealth of communities is controlled.[12]

Our estimates use the model below, which indicates that there is a 1.75 percent reduction in costs for every 10 percent increase in private school enrollments in a community.

$$\ln Expenditures = a + \ln MedFamInc + \ln Enroll + \ln PPValuation + \ln PctprivEnroll + e$$

Where:

ln*Expenditures* = the log of total elementary school expenditures in a community
ln*Enroll* = the log of elementary school enrollment in a community
ln*MedFamInc* = the log of median family income in a community
ln*PPValuation* = the log of per pupil property wealth in a community
ln*PctPrivEnroll* = the percentage elementary students enrolled in private schools

Table # 1
Private School Enrollments

Town	# of Students FY2000	Private as % of All Students	As % of Elem. Students	As % of Secondary Students
Manchester	15,119	11.3%	13.2%	7.1%
Nashua	13,087	10.8%	10.9%	10.5%
Derry	7,005	8.4%	7.6%	10.2%
Concord	6,432	8.4%	8.4%	8.5%
Londonderry	5,388	4.6%	4.8%	4.2%
Merrimack	5,110	7.6%	6.0%	11.6%
Rochester	4,882	11.1%	12.0%	9.4%
Salem	4,674	11.1%	11.0%	11.6%
Hudson	4,344	10.6%	11.7%	8.1%
Dover	3,518	12.6%	12.0%	13.9%
Bedford	3,349	10.7%	7.1%	19.2%
Keene	3,070	8.2%	9.2%	6.6%
Goffstown	2,758	12.1%	12.8%	10.3%
Milford	2,545	6.2%	7.6%	3.2%
Amherst	2,506	6.3%	5.3%	8.4%
Laconia	2,484	10.2%	11.5%	7.7%
Exeter	2,476	8.9%	6.3%	14.1%
Windham	2,262	10.3%	7.9%	16.8%
Portsmouth	2,213	10.7%	10.9%	10.5%
Pelham	2,199	12.5%	12.9%	11.4%
Claremont	2,093	8.9%	10.6%	5.8%
Hampton	2,053	14.1%	13.0%	16.2%
Raymond	2,027	2.2%	2.5%	1.7%
Lebanon	1,914	8.7%	11.7%	3.8%
Somersworth	1,899	11.0%	9.5%	15.0%
Hooksett	1,894	4.8%	2.4%	10.1%
Hampstead	1,798	9.8%	4.4%	24.1%
Bow	1,765	3.9%	3.4%	4.9%
Weare	1,737	11.2%	14.0%	3.9%
Litchfield	1,614	10.2%	8.3%	15.3%
Berlin	1,597	5.5%	7.3%	2.7%
Franklin	1,450	12.1%	10.3%	15.3%
Hollis	1,358	16.9%	13.7%	25.5%
Conway	1,338	7.1%	3.5%	14.2%
Plaistow	1,325	5.3%	7.1%	1.4%
Stratham	1,303	15.9%	9.6%	30.6%
Hanover	1,129	3.6%	2.4%	6.0%
Newmarket	1,070	9.7%	7.2%	14.6%
Littleton	1,068	3.3%	3.0%	4.0%
Wolfeboro	1,066	9.2%	8.1%	10.9%
Hopkinton	1,052	14.8%	15.1%	14.1%
Atkinson	1,043	20.2%	14.4%	32.8%
Peterborough	1,027	12.4%	14.4%	8.8%
Jaffrey	1,002	12.1%	8.2%	19.9%
Kingston	995	14.6%	11.6%	23.3%
Durham	984	16.6%	10.4%	28.5%

Our analyses suggest that the percentage of school children in private schools could be as high as 16.4 percent rather than the 11 percent baseline projection in 2010 as a result of school choice. This is a 48.6 percent increase in the percentage of all New Hampshire students enrolled in private schools (much of this increase is attributable to the slow growth of the overall school age population at the same time private enrollments will be increasing). Our results imply that a 48 percent increase will result in total educational expenditures that are 8.5 percent lower (or 1.2% annually) in 2010 than they would be if no school choice program were implemented (48.64/10= 4.864 x 1.75 = 8.5%).

A Higher Percentage of Students in Private Schools is Associated With Lower Local Education Tax Rates

Because higher private school enrollments result in lower educational expenditures, the local education tax rate of a community is also affected. Our regression models indicate that for every 10 percent increase in the percentage of a town's children that attend private schools (say from 10% to 11%, or from 5% to 5.5%), local education tax rates are, on average, are 1.5 percent lower. This relationship holds regardless of the income and property wealth of a community. A school choice program that increased the percentage of New Hampshire children enrolled in private schools from 11 percent to 16.4 percent would thus result in local education tax rates, on average, that are 7.2 percent lower, or about 1% annually) than they would have been in the absence of a school choice program (48.64/10= 4.864 x 1.5 = 7.2%)

VI. Initially, the Percentage of Students in Private Schools Will be Smaller Than Projected

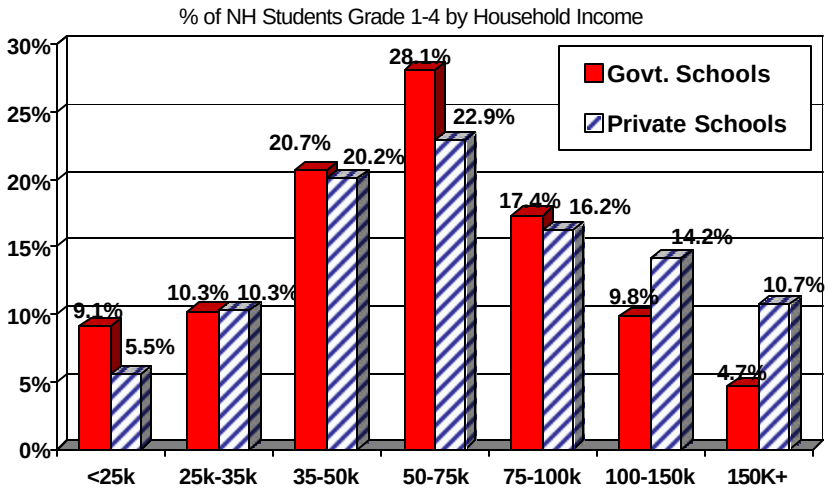
Our estimate is designed to show what the maximum fiscal impacts of school choice would likely be so that policymakers can understand the full extent of changes possible as a result of implementing a choice program with 2,000 annual and 14,000 maximum enrollments. There are several reasons why a choice program will have less than 100 percent "take-up rate", especially in its early years, and the overall impact on private school enrollments will be less than Figure # 2 suggests.

- The program will take time to gain awareness among parents.
- The demand for participation may be less than anticipated among parents and students, especially at the higher grade levels.
- Some private schools may choose not to participate in accepting students from the choice program.
- Even if demand meets or exceeds choice program capacity, and a majority of schools participate in the program, there may not be enough capacity among private schools to accommodate all students in a choice program.

Each of these is difficult to predict without knowing the exact specifications of a program of school choice, and without additional research into the supply and pricing of private schooling in New Hampshire. This section provides some information about the demographics of New Hampshire students in government and private schools that may help guide lawmakers in crafting school choice provisions.

The average income of households with children enrolled in private schools is about $14,000 higher ($79,661 to $65,261)[13] than households with children in public schools only. While this is a significant difference, examining the income distribution of households with children in public and private schools in grades 1 through 4[14] (Figure # 3), shows that except for the highest and lowest income categories, the distribution is similar. Specifically, Figure # 3 shows that public schools have a higher percentage of middle income households, a slightly higher percentage of low income children and a significantly smaller percentage of high income households.

Except at the Highest and Lowest Income Levels, the Populations of Government and Private Schools in NH are Similar in Grades 1-4



Source: PolEcon Analysis of US Census 2000, Public Use Microdata Files (PUMS 1% Sample)

Figure 3

Of an estimated 7,552 New Hampshire private school students in grades 1 through 4, about 17 percent of them were in households below 200 percent of the federal poverty level, compared to 22 percent of public school students (Figure # 4). Among high school students however, the percentage of students below 200 percent of the poverty level drops to 7 percent in private schools, compared to 18 percent in public schools.

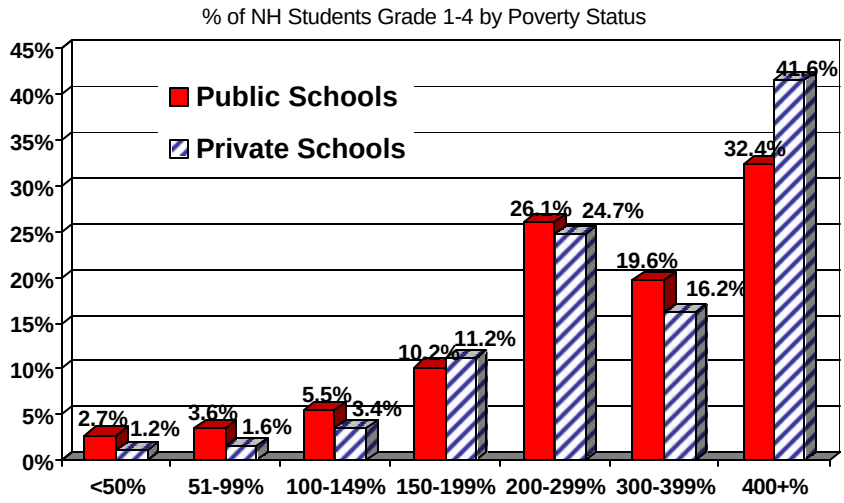
These findings suggest that:

- Lower income households do attend private schools in New Hampshire (in larger numbers at the elementary level than at the secondary level) and there is likely increased demand for private schooling that cannot be met because of financial circumstance of lower income families. This is especially true at the secondary school level.
- A subsidy to lower income students in elementary schools (via vouchers) could significantly narrow the difference between private and public

school enrollments among higher and lower income households, and reduce enrollments in public elementary schools.

- The large drop-off in private school enrollments among lower income households at the high school level may be a function of the relatively high cost of private secondary schools in New Hampshire, especially compared to the cost of private elementary schools. A small sampling (too small to be definitive) of private school costs in New Hampshire shows the average of elementary schools is about $3,300, while the average for high schools (not boarding or preparatory) is $6,790.
- A choice program that provides a voucher payment to parents equivalent, or nearly equivalent, to the state per pupil "adequate education" amount ($3,390 in 2004), will be sufficient to enable children from families of almost any means, to participate in at the elementary school level, but may not be sufficient to gain significant participation from lower income students at the secondary school level.

About 17% of NH's Elementary Students In Private Schools Were in Households Below 200% of The Federal Poverty Level



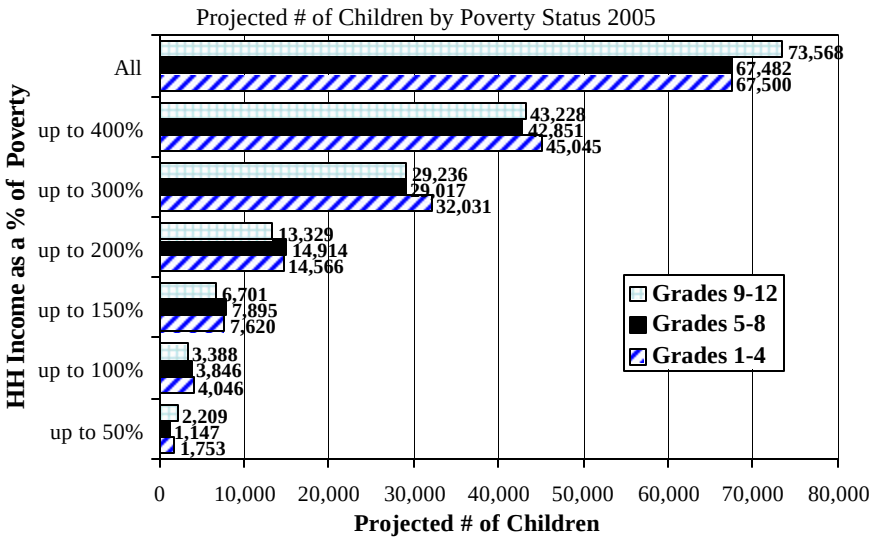
Source: PolEcon Analysis of US Census 2000, Public Use Microdata Files (PUMS 1% Sample)

Figure 4

We developed estimates of the number of children in different levels of poverty, by grade level using Census Public Use Microdata files and Census population projections for New Hampshire. Our analysis indicates that in 2005, an estimated 42,808 children in grades 1 through 12, will be below 200% of the federal poverty level (Figure # 5). These estimates highlight the percentage of school age children that would eligible to participate in a school choice program that uses poverty level as an criterion to determine eligibility.

A choice program that allows children from households up to 300 percent of the federal poverty level to participate would make about half of all New Hampshire children eligible, while a program that limits participation to 200 percent of poverty would limit participation to about 20 percent of children.

An Estimated 11,280 Children in 2005 Will be at or Below the Poverty Line, 42,808 Will Be Below 200% of the Poverty Level



Source: PolEcon Estimates Using US Census Projections and Public Use Microdata Files

Figure 5

VII. The Impact of Choice on State and Local Finances

Evaluating the fiscal implications of choice to New Hampshire school districts and communities requires an understanding of how state education aid to communities will be affected, as well as some estimate of the variable costs associated with educating each child. Simple economics indicates that a school choice program that offers voucher payments to parents in an amount less than the "variable cost"[15] of educating each student will not harm a school district's ability to educate remaining students, because each student leaving a school district will take with them costs (reduce the districts costs) that are larger than the state education aid that follows them. In a school choice program that provides voucher payments that are less than the variable cost of educating

A choice program that allows children from households up to 300% of the federal poverty level to participate would make about half of all NH children eligible, while a program that limits participation to 200% of poverty would limit participation to about 17% of children.

each student, the departure of some students subsidizes the education of remaining students in a district.

Methodology and Results

The following procedure was used to estimate the impact of a school choice program on total state education aid, and on aid to each community.

1. We began with the assumptions listed above, 2,000 choice students in the first year and allocated them according to each community's percentage of New Hampshire's elementary school students (because recent proposals call for choice to apply to only elementary schools in the initial years of the program).
2. We replicated the same model used by State of New Hampshire officials to calculate state education aid[16], and modified the number of elementary students by the number of vouchers allocated to each community.
3. We modified all model calculations (adequacy amounts, etc.) involved in determining state education aid to communities by replacing the number of students with a new number reflecting the loss of students to private schools via choice[17].
4. We calculated the amount that each district would receive under the HB 754 choice proposal as a result of the provision that allows each school district to retain 20% of the state per pupil adequacy amount (currently $3,390) for each student in the district that enters the school choice program.
5. We compared current (FY2004) state education aid (adequacy plus targeted aid) to the aid figures produced with new enrollment numbers and added the 20% of state adequacy amount for each student in the choice program, to determine the change in state education aid for each town.

Rather than assume certain categories of school district costs are fixed and variable, we used an econometric approach to estimate the per pupil variable costs of educating each student in New Hampshire. We use detailed school district financial data from all districts for the 2001-2002 school year (the most recent available) to determine how much of the total cost of per pupil elementary[18] education is "variable" (that is associated with the addition or loss of students in a district) and how much of total per pupil district costs are fixed.[19] For this study we consider "variable costs" to be those school district expenses that are variable over a period of at least one year. That is, school districts can reasonably be expected to adjust their costs to reflect enrollments levels from one year to the next[20]. In addition we:

In a school choice program that provides voucher payments that are less than the variable cost of educating each student, the departure of some students subsidizes the education of remaining students in a district.

1. Developed total and per pupil expenditure amounts for each district using elementary school expenses and enrollments (to maximize the number of school districts in our population).
2. Included all elementary district expenses such as transportation and debt expenses[21] (except enterprise funds such as cafeteria operations etc.) to capture the enrollment impacts on the full range of district expenses.
3. Developed simple linear regression models to estimate the cost structure of public elementary schools in New Hampshire that controlled for the income and property wealth of school districts. We tested many models, the model with the strongest ability to describe and predict the cost structure of public schools used the following form:

$$Expenditures = a + Enrollment + MedHHInc + PPCapExpend + PropWealthPP + e$$

Where:

Expenditures = total elementary expenditures of the district
Enrollment = total elementary school enrollment in the district
PropWealthPP = the districts total equalized value of property Per Pupil
PPCapExpend = the amount of capital expenditures per pupil in the district
MedHHInc = median household income in the district

This model explains over 98 percent of the variation of district elementary school expenditures. Using this model, our estimates of the variable cost of educating one additional elementary student public schools (including all transportation and debt costs) are in a range of $5,920 to $7,200 or between 73 percent and 87 percent of total costs. In calculating each district's "avoided costs", or decrease in costs resulting from the loss of each student, we use the most conservative figure of $6,363.[22]

Total State Education Trust Fund Expenditures Will be Nearly Identical, With or Without a School Choice Program

Table # 2 presents the state totals for education aid in FY2004, along with the impact on the 50 largest school districts in the state (a complete listing of community impacts is provided in Appendix B), if a school choice program such as that proposed in HB 754 (2003 legislative session) were in place and fully utilized in its first year. Table # 2 shows that overall state education aid to communities, for adequacy plus targeting, plus the 20 percent of the amount of the state adequacy amount that communities are allowed to keep for each student in the choice program, is about $5 million less than if no choice program were implemented. This difference reflects the smaller statewide and district level enrollments in public schools (over $6 million) less the 20 percent capture per choice student communities get to keep. The table does not show payments to parents of choice students which are equal to 80 percent of the state determined, per pupil adequate education amount of $3,390. The amount also equals about $5 million.

Table 2
Fiscal Impacts of Choice
50 Towns With Largest Elementary Enrollments

	# Choice Students	2004 State Aid for Adequacy w/Targeting	New State Aid With Targeting	Difference From Actual 2004	Avoided Costs (# of vouchers x avg. variable cost per pupil @ $6,363)	Net Gain (loss) to Community
State Totals	**2,000**	**$451,645,046**	**$446,712,005**	**-$4,933,041**	**$13,724,991**	**$8,791,950**
Manchester	150	$45,567,271	$45,159,177	-$408,094	$954,450	$546,356
Nashua	134	$26,364,405	$26,000,143	-$364,262	$852,642	$488,380
Derry	67	$19,936,025	$19,751,722	-$184,303	$426,321	$242,018
Londonderry	53	$13,700,222	$13,555,484	-$144,738	$337,239	$192,501
Concord	53	$12,332,717	$12,189,996	-$142,721	$337,239	$194,518
Merrimack	47	$9,479,481	$9,350,859	-$128,622	$299,061	$170,439
Salem	45	$3,093,858	$2,971,504	-$122,354	$286,335	$163,981
Rochester	42	$14,173,500	$14,058,868	-$114,632	$267,246	$152,614
Hudson	39	$6,919,448	$6,812,232	-$107,216	$248,157	$140,941
Bedford	36	$3,306,593	$3,208,332	-$98,261	$229,068	$130,807
Dover	32	$5,579,465	$5,491,675	-$87,790	$203,616	$115,826
Keene	30	$8,840,630	$8,760,003	-$80,627	$190,890	$110,263
Goffstown	24	$5,192,223	$5,127,730	-$64,493	$152,712	$88,219
Milford	24	$5,543,197	$5,478,903	-$64,294	$152,712	$88,418
Laconia	23	$6,478,976	$6,415,115	-$63,861	$146,349	$82,488
Exeter	23	$4,653,323	$4,589,085	-$64,238	$146,349	$82,111
Amherst	23	$4,499,696	$4,436,741	-$62,955	$146,349	$83,394
Windham	22	$2,508,169	$2,448,848	-$59,321	$139,986	$80,665
Portsmouth	21	$0	$14,238	$14,238	$133,623	$147,861
Hampton	20	$0	$13,560	$13,560	$127,260	$140,820
Claremont	19	$7,598,765	$7,544,663	-$54,102	$120,897	$66,795
Hooksett	19	$2,815,667	$2,763,278	-$52,389	$120,897	$68,508
Pelham	19	$3,184,282	$3,132,324	-$51,958	$120,897	$68,939
Lebanon	18	$2,401,478	$2,354,212	-$47,266	$114,534	$67,268
Weare	17	$5,123,831	$5,076,960	-$46,871	$108,171	$61,300
Bow	17	$3,423,938	$3,377,547	-$46,391	$108,171	$61,780
Somersworth	17	$5,186,298	$5,141,151	-$45,147	$108,171	$63,024
Hampstead	17	$3,386,244	$3,340,972	-$45,272	$108,171	$62,899
Raymond	16	$5,408,920	$5,364,069	-$44,851	$101,808	$56,957
Litchfield	16	$4,085,784	$4,042,946	-$42,838	$101,808	$58,970
Hollis	15	$1,607,285	$1,565,854	-$41,431	$95,445	$54,014
Conway	14	$2,707,808	$2,669,153	-$38,655	$89,082	$50,427
Berlin	14	$6,326,721	$6,285,903	-$40,818	$89,082	$48,264
Stratham	14	$1,419,814	$1,383,123	-$36,691	$89,082	$52,391
Plaistow	14	$2,044,456	$2,008,103	-$36,353	$89,082	$52,729
Barrington	13	$3,197,729	$3,160,410	-$37,319	$82,719	$45,400
Franklin	12	$5,339,421	$5,303,456	-$35,965	$76,356	$40,391
Gilford	12	$353,480	$321,029	-$32,451	$76,356	$43,905
Swanzey	12	$3,985,021	$3,952,686	-$32,335	$76,356	$44,021
Newport	11	$4,699,040	$4,667,207	-$31,833	$69,993	$38,160
Farmington	11	$4,865,695	$4,833,159	-$32,536	$69,993	$37,457

	# Choice Students	2004 State Aid for Adequacy w/Targeting	New State Aid With Targeting	Difference From Actual 2004	Avoided Costs (# of vouchers x avg. variable cost per pupil @ $6,363)	Net Gain (loss) to Community
Newmarket	11	$2,338,938	$2,307,586	-$31,352	$69,993	$38,641
Belmont	11	$3,063,033	$3,031,727	-$31,306	$69,993	$38,687
Pembroke	11	$3,355,418	$3,324,794	-$30,624	$69,993	$39,369
Seabrook	11	$1,510,450	$1,480,584	-$29,866	$69,993	$40,127
Hanover	11	$0	$7,458	$7,458	$69,993	$77,451
Sandown	11	$2,912,945	$2,884,043	-$28,902	$69,993	$41,091
Durham	10	$1,608,340	$1,579,394	-$28,946	$63,630	$34,684
Atkinson	10	$691,834	$663,891	-$27,943	$63,630	$35,687
Brookline	10	$2,346,361	$2,317,993	-$28,368	$63,630	$35,262
Epping	10	$2,553,947	$2,526,485	-$27,462	$63,630	$36,168

An interesting impact of the program affects communities which receive no state education adequacy grants. Because these towns receive no adequacy aid, the loss of students to a choice program does not result in any loss of state aid. Under a proposal that allows towns to keep a portion of the state's per pupil payment for each school choice student, these towns receive state aid payments that they would not otherwise receive. Under the HB 754 proposal, this amount equals just under $100,000 for each 2,000 students in the choice program. At the same time, these communities lose the variable costs of educating students who leave because of choice, this amount is estimated to be about $1 million for every 2,000 choice students.

The Real Cost to The State of New Hampshire of a Choice Program is the "Deadweight Effects" Plus Any Cost Associated With Administering the Program

Each child in the choice program will cost the state's Education Trust Fund the same dollar amount as if they had remained in or entered a New Hampshire public school. There is a cost, however, if the state provides payments to choice students who would have entered private school even in the absence of a choice program. Without a choice program, these students would not have cost the State of New Hampshire any education aid. We estimate the deadweight effect of a choice program to be 10 percent of choice students, with a high range (depending on income requirements of the program) of 15 percent to 17 percent. This estimate is based on the fact that the 10 percent of children are currently enrolled in private schools, the fact that competition for vouchers will come from families currently with lower rates of private school enrollment (lower income families) and the fact that income limits (or preferences) of the program will limit the ability of families already planning on attending private schools to take advantage of the program. Moreover, a sizeable percentage of families with plans to attend private schools, even in the absence of choice, will choose not to participate in the program because of application, income verification or other restrictions and application requirements. At 10 percent, the deadweight effects of the program will cost the state $677,288 for each 2,000 children in the choice program.

In addition to the deadweight costs, the state will incur some costs to administer the program of an indeterminate amount. The State of New Hampshire could help cover each of these costs by eliminating any provision that allows towns that receive no state adequate education aid, to retain a portion of the voucher payments for children in the choice program. Our estimate is that this figure would be just under $100,000 for each 2,000 students in a choice program and choice students were distributed among communities according to the percentage of public school children in each.

The Fiscal Impact of Choice on Communities

Table # 2 presented net impacts on the state's largest school districts of a choice program with 2,000 students and Appendix B presents a complete listing by town. While much of the debate over school choice focuses on the revenue loss of school districts as state aid follows students, there is little discussion of offsetting reductions in costs. Our approach has been to estimate the variable cost of educating students in New Hampshire's public schools. Even the most ardent critics of school choice do not argue that payments to parents of $2,700 for each choice student equals the cost to school districts of educating a child in the state's public schools. Subtracting the estimated $6,300 costs associated with educating each child who leaves because of school choice from school district expenses, results in a dollar amount that more than compensates each district financially for the loss of state education aid for each student in the choice program. If increasing enrollments (and the state aid they bring) were a recipe for the financial health of school districts, communities would not be looking for ways to limit the growth of school aged populations in their school districts.

This does not mean that we believe communities and school districts should be indifferent to or welcome the loss of students to private schools. Although the financial implications of this will be positive, it may also be a sign of parent dissatisfaction with a school district. Districts should look to the demand for participation in any choice program as an opportunity to assess the performance of and satisfaction with the district.

Our analysis indicates that the net fiscal impact on communities in New Hampshire would have been +$8,791,057 for every 2,000 students in the choice program. The number of students in the choice program will not likely be 2,000 in the first year and Figure # 6 presents the net impact to communities at different levels of participation or "take-up" rates.

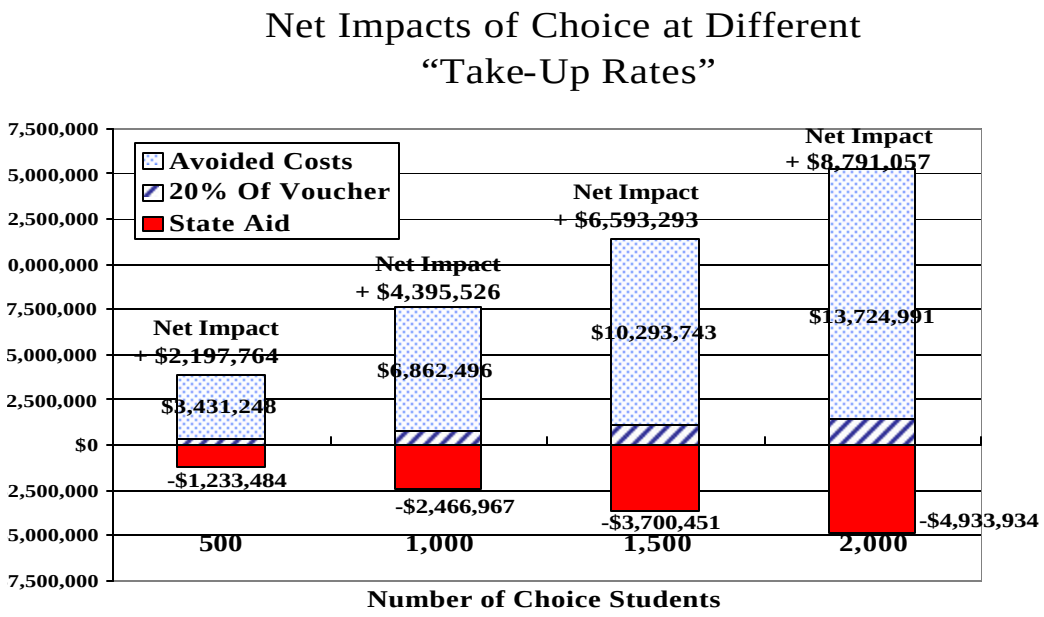


Figure 6

Even if all estimated costs are not variable in the short term (less than one year) over a period of one year or more, districts can adjust to compensate for the loss of students and all would eventually be better off financially because of school choice.

Communities Will Incur Some Costs to Administer a Choice Program, and May Incur Some Costs to Transport Choice Students

Several studies of the cost of school choice programs consider program administration costs and the cost to transport choice students to private schools. We note that there will be administrative costs but make no effort to estimate them. Communities are currently required to provide some transportation to students in private schools but those costs could increase under a choice program.

While we do not wish to "duck" the issue of these costs in evaluating the net impact of school choice, neither do we want to estimate impacts where there is little information on which to base those estimates. While acknowledging these costs, we believe that they will be limited, and will not exceed the net fiscal benefit to communities under a choice program, that our results suggest.

VIII. Conclusions

Our report concludes that because the dollar amount of each voucher is much less than the variable cost associated with educating each student, a school choice program that provides payments to parents who wish to enroll their children in private schools cannot financially impair school districts. On average, we estimate the variable cost of educating an elementary student in New Hampshire to be about $6,300. School districts which lose students because of a choice program lose an amount equal to the per pupil state adequacy grant, but they also lose the costs associated with educating those students. Because variable costs per pupil are greater than state aid per pupil, the loss of students to a choice program is a net financial benefit to school districts. We do not conclude, however, that school districts should be indifferent to this loss of revenue. Rather, school administrators and local officials should look to participation in and demand for school choice in their district as an opportunity to assess satisfaction with the performance of their district.

We also conclude that because payments for choice students equals the amount of state adequate education payments that would have been made if choice students were in the public schools, the true cost to the State of New Hampshire of a choice program is equal to the "deadweight" effects of the program (or the voucher payments that would go for students who would attend private schools even without a choice program – estimated at 10%) plus the administrative costs of the program.

Finally, we conclude that the long-run implication of school choice on school districts will be local school expenditures that are lower by about 1.2 percent annually, and local education tax rates that are lower by about 1 percent annually, than they would have been without a program of choice in New Hampshire.

Appendix A
Percentage of Private School Students by Town

Town	Number School Age Children	Private as % of All Students	As % of Elementary Students	As % of Secondary Students
Acworth	173	6.9%	10.4%	0.0%
Albany	97	0.0%	0.0%	0.0%
Alexandria	236	5.1%	5.1%	5.0%
Allenstown	956	12.8%	13.6%	10.9%
Alstead	355	4.5%	5.6%	2.4%
Alton	706	9.6%	6.2%	17.7%
Amherst	2,506	6.3%	5.3%	8.4%
Andover	344	11.6%	4.6%	23.6%
Antrim	582	2.4%	2.0%	3.5%
Ashland	299	9.7%	12.3%	4.8%
Atkinson	1,043	20.2%	14.4%	32.8%
Auburn	911	6.3%	0.0%	18.3%
Barnstead	708	9.3%	7.9%	12.3%
Barrington	1,404	6.3%	4.1%	11.3%
Bartlett	448	3.3%	1.0%	8.6%
Bath	154	8.4%	8.3%	8.6%
Bedford	3,349	10.7%	7.1%	19.2%
Belmont	1,268	4.7%	6.6%	1.3%
Bennington	306	11.4%	10.1%	14.1%
Benton	40	12.5%	0.0%	23.8%
Berlin	1,597	5.5%	7.3%	2.7%
Bethlehem	381	3.9%	2.7%	6.4%
Boscawen	533	9.2%	6.5%	20.4%
Bow	1,765	3.9%	3.4%	4.9%
Bradford	262	3.1%	2.2%	4.8%
Brentwood	530	12.1%	9.6%	16.7%
Bridgewater	140	16.4%	13.0%	25.0%
Bristol	492	12.4%	7.7%	22.9%
Brookfield	106	14.2%	17.6%	7.9%
Brookline	947	10.7%	12.9%	2.8%
Campton	498	5.8%	4.9%	7.7%
Canaan	653	3.5%	1.0%	7.7%
Candia	756	14.9%	10.2%	26.1%
Canterbury	365	23.6%	18.8%	32.5%
Carroll	90	10.0%	3.7%	19.4%
Center Harbor	164	11.0%	4.9%	21.0%
Charlestown	869	2.4%	1.6%	4.0%
Chatham	40	12.5%	0.0%	83.3%
Chester	736	11.7%	11.4%	12.2%
Chesterfield	727	5.0%	4.5%	5.7%
Chichester	406	22.4%	13.8%	40.8%
Claremont	2,093	8.9%	10.6%	5.8%
Clarksville	40	27.5%	30.8%	21.4%
Colebrook	377	4.5%	4.2%	5.0%
Columbia	131	5.3%	6.3%	2.8%
Concord	6,432	8.4%	8.4%	8.5%

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Percentage of Private School Students by Town

Town	Number School Age Children	Private as % of All Students	As % of Elementary Students	As % of Secondary Students
Conway	1,338	7.1%	3.5%	14.2%
Cornish	318	5.0%	5.0%	5.1%
Croydon	117	10.3%	17.9%	0.0%
Dalton	182	11.0%	6.3%	22.2%
Danbury	185	9.7%	4.1%	15.9%
Danville	757	6.1%	4.1%	13.1%
Deerfield	803	19.1%	16.6%	25.2%
Deering	360	8.9%	8.2%	10.5%
Derry	7,005	8.4%	7.6%	10.2%
Dorchester	73	0.0%	0.0%	0.0%
Dover	3,518	12.6%	12.0%	13.9%
Dublin	271	23.6%	19.6%	31.5%
Dummer	67	7.5%	10.0%	0.0%
Dunbarton	372	14.0%	13.6%	15.2%
Durham	984	16.6%	10.4%	28.5%
East Kingston	317	5.0%	5.0%	5.2%
Easton	45	6.7%	0.0%	12.5%
Eaton	53	0.0%	0.0%	0.0%
Effingham	265	6.4%	6.6%	6.0%
Ellsworth	8	25.0%	25.0%	0.0%
Enfield	626	6.4%	9.9%	0.0%
Epping	955	11.1%	12.1%	8.8%
Epsom	700	21.6%	16.9%	32.5%
Errol	56	0.0%	0.0%	0.0%
Exeter	2,476	8.9%	6.3%	14.1%
Farmington	1,155	2.3%	1.2%	4.7%
Fitzwilliam	410	10.0%	13.0%	3.7%
Francestown	308	9.4%	10.7%	6.0%
Franconia	131	3.8%	2.6%	5.7%
Franklin	1,450	12.1%	10.3%	15.3%
Freedom	143	4.2%	6.3%	0.0%
Fremont	680	3.1%	4.4%	0.0%
Gilford	1,166	6.3%	5.7%	7.6%
Gilmanton	533	8.3%	7.8%	9.0%
Gilsum	108	10.2%	2.8%	25.0%
Goffstown	2,758	12.1%	12.8%	10.3%
Gorham	448	2.9%	4.3%	0.0%
Goshen	124	5.6%	8.1%	0.0%
Grafton	220	6.8%	4.9%	10.5%
Grantham	280	7.1%	6.1%	9.1%
Greenfield	437	27.5%	29.9%	24.0%
Greenland	546	22.9%	18.8%	33.6%
Greenville	378	15.6%	15.0%	17.6%
Groton	77	5.2%	4.4%	6.3%
Hampstead	1,798	9.8%	4.4%	24.1%
Hampton	2,053	14.1%	13.0%	16.2%

Appendix A
Percentage of Private School Students by Town

Town	Number School Age Children	Private as % of All Students	As % of Elementary Students	As % of Secondary Students
Hampton Falls	337	8.6%	5.8%	16.0%
Hanover	1,129	3.6%	2.4%	6.0%
Harrisville	184	15.8%	14.6%	18.5%
Haverhill	738	9.3%	7.3%	14.0%
Hebron	37	8.1%	0.0%	18.8%
Henniker	805	3.7%	2.3%	6.5%
Hill	188	12.2%	15.6%	5.0%
Hillsboro	872	4.9%	0.7%	14.4%
Hinsdale	795	4.7%	3.5%	7.6%
Holderness	365	5.5%	3.5%	9.0%
Hollis	1,358	16.9%	13.7%	25.5%
Hooksett	1,894	4.8%	2.4%	10.1%
Hopkinton	1,052	14.8%	15.1%	14.1%
Hudson	4,344	10.6%	11.7%	8.1%
Jackson	89	14.6%	7.4%	38.1%
Jaffrey	1,002	12.1%	8.2%	19.9%
Jefferson	169	5.9%	7.5%	3.2%
Keene	3,070	8.2%	9.2%	6.6%
Kensington	340	7.9%	9.6%	4.0%
Kingston	995	14.6%	11.6%	23.3%
Laconia	2484	10.2%	11.5%	7.7%
Lancaster	596	3.4%	3.1%	3.8%
Landaff	57	17.5%	34.5%	0.0%
Langdon	104	11.5%	10.0%	14.7%
Lebanon	1,914	8.7%	11.7%	3.8%
Lee	906	4.6%	1.3%	11.0%
Lempster	177	7.3%	8.6%	4.1%
Lincoln	179	2.8%	1.7%	4.9%
Lisbon	265	0.8%	1.0%	0.0%
Litchfield	1,614	10.2%	8.3%	15.3%
Littleton	1,068	3.3%	3.0%	4.0%
Londonderry	5,388	4.6%	4.8%	4.2%
Loudon	871	20.3%	20.2%	20.7%
Lyman	56	3.6%	0.0%	10.0%
Lyme	304	12.5%	13.1%	11.2%
Lyndeborough	283	21.2%	19.2%	25.6%
Madbury	320	8.4%	7.5%	10.4%
Madison	411	2.9%	3.4%	1.7%
Manchester	15,119	11.3%	13.2%	7.1%
Marlborough	363	5.5%	5.6%	5.3%
Marlow	128	5.5%	4.4%	8.1%
Mason	184	17.4%	21.4%	8.6%
Meredith	957	7.0%	6.1%	8.8%
Merrimack	5,110	7.6%	6.0%	11.6%
Middleton	300	3.0%	3.7%	1.8%
Milan	248	4.8%	7.4%	0.0%

Appendix A
Percentage of Private School Students by Town

Town	Number School Age Children	Private as % of All Students	As % of Elementary Students	As % of Secondary Students
Milford	2,545	6.2%	7.6%	3.2%
Milton	720	11.3%	9.0%	16.6%
Monroe	147	17.0%	0.0%	45.5%
Mont Vernon	434	9.0%	8.4%	10.4%
Moultonborough	776	8.2%	8.8%	7.1%
Nashua	13,087	10.8%	10.9%	10.5%
Nelson	104	16.3%	15.3%	18.8%
New Boston	816	19.0%	10.2%	37.4%
New Castle	170	10.6%	2.0%	23.5%
New Durham	434	4.4%	3.4%	6.6%
New Hampton	354	10.7%	13.3%	6.2%
New Ipswich	974	17.7%	15.4%	22.7%
New London	446	4.3%	0.0%	10.1%
Newbury	310	12.3%	6.4%	26.1%
Newfields	310	5.5%	5.5%	5.6%
Newington	108	26.9%	20.0%	39.5%
Newmarket	1,070	9.7%	7.2%	14.6%
Newport	1,111	1.9%	1.9%	1.8%
Newton	846	7.9%	9.5%	3.2%
North Hampton	688	13.8%	8.2%	29.2%
Northfield	955	12.1%	13.3%	9.3%
Northumberland	477	1.0%	0.6%	1.8%
Northwood	766	15.4%	12.3%	21.2%
Nottingham	720	3.8%	5.7%	0.0%
Orange	50	0.0%	0.0%	0.0%
Orford	130	3.8%	0.0%	10.6%
Ossipee	833	6.4%	6.9%	5.1%
Pelham	2,199	12.5%	12.9%	11.4%
Pembroke	1,346	7.7%	8.3%	6.4%
Peterborough	1,027	12.4%	14.4%	8.8%
Piermont	133	6.8%	7.3%	5.9%
Pittsburg	128	9.4%	13.0%	3.9%
Pittsfield	732	3.3%	4.5%	0.0%
Plainfield	374	13.4%	3.8%	30.1%
Plaistow	1,325	5.3%	7.1%	1.4%
Plymouth	632	4.1%	2.4%	8.2%
Portsmouth	2,213	10.7%	10.9%	10.5%
Randolph	66	9.1%	0.0%	18.8%
Raymond	2,027	2.2%	2.5%	1.7%
Richmond	228	8.3%	9.7%	3.8%
Rindge	916	19.3%	17.7%	23.0%
Rochester	4,882	11.1%	12.0%	9.4%
Rollinsford	467	14.6%	14.4%	14.8%
Roxbury	34	0.0%	0.0%	0.0%
Rumney	297	4.4%	4.2%	4.6%
Rye	750	17.2%	10.6%	33.8%

Appendix A
Percentage of Private School Students by Town

Town	Number School Age Children	Private as % of All Students	As % of Elementary Students	As % of Secondary Students
Salem	4,674	11.1%	11.0%	11.6%
Salisbury	206	5.3%	2.2%	11.3%
Sanbornton	484	19.8%	19.7%	20.0%
Sandown	1,193	5.6%	7.2%	1.5%
Sandwich	216	12.5%	14.8%	9.1%
Seabrook	1,057	8.0%	8.0%	8.1%
Sharon	62	14.5%	18.9%	8.0%
Shelburne	72	2.8%	0.0%	5.6%
Somersworth	1,899	11.0%	9.5%	15.0%
South Hampton	144	6.9%	0.0%	30.3%
Springfield	151	0.0%	0.0%	0.0%
Stark	111	0.0%	0.0%	0.0%
Stewartstown	191	20.9%	28.0%	7.6%
Stoddard	131	4.6%	2.9%	10.3%
Strafford	823	9.2%	7.1%	13.7%
Stratford	186	1.6%	2.7%	0.0%
Stratham	1,303	15.9%	9.6%	30.6%
Sugar Hill	85	4.7%	0.0%	14.3%
Sullivan	168	9.5%	12.6%	3.5%
Sunapee	546	3.3%	1.1%	7.5%
Surry	109	7.3%	0.0%	19.0%
Sutton	263	6.5%	3.7%	11.0%
Swanzey	1,269	7.6%	7.8%	6.9%
Tamworth	448	8.5%	4.5%	17.5%
Temple	282	16.0%	15.5%	17.1%
Thornton	307	6.5%	7.7%	4.5%
Tilton	585	9.2%	7.3%	13.7%
Troy	375	9.3%	8.4%	10.8%
Tuftonboro	291	9.3%	9.3%	9.3%
Unity	220	16.4%	19.6%	10.4%
Wakefield	753	4.8%	3.3%	8.4%
Walpole	550	2.9%	4.2%	0.0%
Warner	479	13.4%	12.1%	16.7%
Warren	150	11.3%	11.8%	10.0%
Washington	149	13.4%	9.6%	26.5%
Waterville Valley	44	6.8%	0.0%	17.6%
Weare	1,737	11.2%	14.0%	3.9%
Webster	258	8.9%	6.4%	14.0%
Wentworth	157	0.0%	0.0%	0.0%
Westmoreland	271	1.8%	1.7%	2.2%
Whitefield	334	7.8%	8.8%	6.2%
Wilmot	228	9.6%	4.7%	19.0%
Wilton	704	17.2%	18.7%	12.9%
Winchester	765	9.7%	10.4%	8.2%
Windham	2,262	10.3%	7.9%	16.8%
Windsor	62	33.9%	0.0%	47.7%

Appendix A
Percentage of Private School Students by Town

Town	Number School Age Children	Private as % of All Students	As % of Elementary Students	As % of Secondary Students
Wolfeboro	1,066	9.2%	8.1%	10.9%
Woodstock	168	1.8%	1.7%	2.1%

Appendix B
Fiscal Impacts of Choice

	# Choice Students	2004 State Aid for Adequacy w/Targeting	With Choice New State Aid With Targeting	Difference From Actual 2004	Avoided Costs (# of vouchers x avg. variable cost per pupil @ 6,363)	Net Gain (loss) to Community
State Totals	**2,000**	**$451,645,046**	**$446,711,112**	**-$4,933,934**	**$13,724,991**	**$8,791,057**
Acworth	1	$444,652	$440,726	-$3,926	$6,363	$2,437
Albany	1	$299,392	$295,432	-$3,960	$6,363	$2,403
Alexandria	2	$678,444	$671,907	-$6,537	$12,726	$6,189
Allenstown	9	$3,109,604	$3,083,488	-$26,116	$57,267	$31,151
Alstead	3	$1,188,703	$1,179,886	-$8,817	$19,089	$10,272
Alton	7	$0	$4,746	$4,746	$44,541	$49,287
Amherst	23	$4,499,696	$4,436,741	-$62,955	$146,349	$83,394
Andover	3	$653,948	$644,395	-$9,553	$19,089	$9,536
Antrim	6	$1,772,781	$1,757,411	-$15,370	$38,178	$22,808
Ashland	3	$774,127	$766,447	-$7,680	$19,089	$11,409
Atkinson	10	$691,834	$663,891	-$27,943	$63,630	$35,687
Auburn	9	$1,906,335	$1,882,545	-$23,790	$57,267	$33,477
Barnstead	8	$1,916,205	$1,896,125	-$20,080	$50,904	$30,824
Barrington	13	$3,197,729	$3,161,351	-$36,378	$82,719	$46,341
Bartlett	4	$0	$2,712	$2,712	$25,452	$28,164
Bath	1	$501,637	$497,538	-$4,099	$6,363	$2,264
Bedford	36	$3,306,593	$3,208,332	-$98,261	$229,068	$130,807
Belmont	11	$3,063,033	$3,031,915	-$31,118	$69,993	$38,875
Bennington	3	$767,790	$760,815	-$6,975	$19,089	$12,114
Benton	0	$101,237	$101,237	$0	$0	$0
Berlin	14	$6,326,721	$6,286,736	-$39,985	$89,082	$49,097
Bethlehem	4	$1,208,267	$1,197,545	-$10,722	$25,452	$14,730
Boscawen	5	$1,552,572	$1,537,234	-$15,338	$31,815	$16,477
Bow	17	$3,423,938	$3,377,547	-$46,391	$108,171	$61,780
Bradford	2	$563,826	$557,348	-$6,478	$12,726	$6,248
Brentwood	5	$888,773	$873,574	-$15,199	$31,815	$16,616
Bridgewater	1	$0	$678	$678	$6,363	$7,041
Bristol	5	$1,288,100	$1,273,885	-$14,215	$31,815	$17,600
Brookfield	1	$111,878	$109,352	-$2,526	$6,363	$3,837
Brookline	10	$2,346,361	$2,318,421	-$27,940	$63,630	$35,690
Cambridge	0	$0	$0	$0	$0	$0
Campton	4	$1,360,649	$1,348,401	-$12,248	$25,452	$13,204
Canaan	6	$1,782,947	$1,767,221	-$15,726	$38,178	$22,452
Candia	7	$1,419,386	$1,400,492	-$18,894	$44,541	$25,647
Canterbury	3	$474,124	$465,859	-$8,265	$19,089	$10,824
Carroll	1	$0	$678	$678	$6,363	$7,041
Center Harbor	1	$0	$678	$678	$6,363	$7,041
Charlestown	8	$3,340,857	$3,316,710	-$24,147	$50,904	$26,757
Chatham	1	$93,416	$92,105	-$1,311	$6,363	$5,052
Chester	8	$1,432,522	$1,412,103	-$20,419	$50,904	$30,485
Chesterfield	6	$1,440,558	$1,424,443	-$16,115	$38,178	$22,063
Chichester	4	$706,384	$696,769	-$9,615	$25,452	$15,837

Appendix B
Fiscal Impacts of Choice

	# Choice Students	2004 State Aid for Adequacy w/Targeting	With Choice New State Aid With Targeting	Difference From Actual 2004	Avoided Costs (# of vouchers x avg. variable cost per pupil @ 6,363)	Net Gain (loss) to Community
Clarksville	0	$76,346	$75,400	-$946	$0	-$946
Colebrook	3	$1,313,217	$1,303,630	-$9,587	$19,089	$9,502
Columbia	1	$386,470	$383,439	-$3,031	$6,363	$3,332
Concord	53	$12,332,717	$12,188,239	-$144,478	$337,239	$192,761
Conway	14	$2,707,808	$2,669,153	-$38,655	$89,082	$50,427
Cornish	3	$808,132	$801,231	-$6,901	$19,089	$12,188
Croydon	1	$183,903	$181,578	-$2,325	$6,363	$4,038
Dalton	2	$534,827	$530,680	-$4,147	$12,726	$8,579
Danbury	2	$490,174	$485,781	-$4,393	$12,726	$8,333
Danville	8	$1,932,605	$1,909,668	-$22,937	$50,904	$27,967
Deerfield	8	$1,879,038	$1,857,724	-$21,314	$50,904	$29,590
Deering	3	$961,908	$954,010	-$7,898	$19,089	$11,191
Derry	67	$19,936,025	$19,743,567	-$192,458	$426,321	$233,863
Dix Grant	0	$0	$0	$0	$0	$0
Dixville	0	$0	$0	$0	$0	$0
Dorchester	1	$214,677	$212,915	-$1,762	$6,363	$4,601
Dover	32	$5,579,465	$5,491,644	-$87,821	$203,616	$115,795
Dublin	2	$0	$1,356	$1,356	$12,726	$14,082
Dummer	1	$113,415	$112,251	-$1,164	$6,363	$5,199
Dunbarton	4	$657,515	$647,464	-$10,051	$25,452	$15,401
Durham	10	$1,608,340	$1,579,288	-$29,052	$63,630	$34,578
East Kingston	4	$631,156	$621,470	-$9,686	$25,452	$15,766
Easton	0	$0	$0	$0	$0	$0
Eaton	1	$62,010	$60,331	-$1,679	$6,363	$4,684
Effingham	2	$513,387	$507,174	-$6,213	$12,726	$6,513
Ellsworth	0	$6,983	$6,763	-$220	$0	-$220
Enfield	6	$1,286,914	$1,270,541	-$16,373	$38,178	$21,805
Epping	10	$2,553,947	$2,526,275	-$27,672	$63,630	$35,958
Epsom	7	$1,573,965	$1,555,792	-$18,173	$44,541	$26,368
Errol	0	$0	$0	$0	$0	$0
Exeter	23	$4,653,323	$4,587,560	-$65,763	$146,349	$80,586
Farmington	11	$4,865,695	$4,832,654	-$33,041	$69,993	$36,952
Fitzwilliam	3	$818,016	$809,056	-$8,960	$19,089	$10,129
Francestown	3	$575,371	$568,414	-$6,957	$19,089	$12,132
Franconia	1	$0	$678	$678	$6,363	$7,041
Franklin	13	$5,339,421	$5,302,644	-$36,777	$76,356	$39,579
Freedom	1	$0	$678	$678	$6,363	$7,041
Fremont	7	$1,543,808	$1,525,694	-$18,114	$44,541	$26,427
Gilford	12	$353,480	$321,029	-$32,451	$76,356	$43,905
Gilmanton	5	$1,193,198	$1,180,057	-$13,141	$31,815	$18,674
Gilsum	1	$322,808	$319,668	-$3,140	$6,363	$3,223
Goffstown	24	$5,192,223	$5,127,667	-$64,556	$152,712	$88,156
Gorham	5	$1,411,158	$1,398,648	-$12,510	$31,815	$19,305

Appendix B
Fiscal Impacts of Choice

	# Choice Students	2004 State Aid for Adequacy w/Targeting	With Choice New State Aid With Targeting	Difference From Actual 2004	Avoided Costs (# of vouchers x avg. variable cost per pupil @ 6,363)	Net Gain (loss) to Community
Grafton	2	$585,924	$580,817	-$5,107	$12,726	$7,619
Grantham	3	$0	$2,034	$2,034	$19,089	$21,123
Greenfield	3	$690,502	$683,418	-$7,084	$19,089	$12,005
Greenland	5	$49,734	$35,687	-$14,047	$31,815	$17,768
Greenville	4	$1,451,633	$1,439,267	-$12,366	$25,452	$13,086
Groton	1	$273,274	$271,179	-$2,095	$6,363	$4,268
Hale's Location	0	$0	$0	$0	$0	$0
Hampstead	17	$3,386,244	$3,340,428	-$45,816	$108,171	$62,355
Hampton	20	$0	$13,560	$13,560	$127,260	$140,820
Hampton Falls	4	$52,221	$42,469	-$9,752	$25,452	$15,700
Hancock	3	$410,995	$404,357	-$6,638	$19,089	$12,451
Hanover	11	$0	$7,458	$7,458	$69,993	$77,451
Harrisville	1	$62,622	$59,028	-$3,594	$6,363	$2,769
Hart's Location	0	$0	$0	$0	$0	$0
Haverhill	7	$2,788,414	$2,769,696	-$18,718	$44,541	$25,823
Hebron	0	$0	$0	$0	$0	$0
Henniker	8	$2,404,599	$2,380,586	-$24,013	$50,904	$26,891
Hill	2	$480,281	$475,480	-$4,801	$12,726	$7,925
Hillsboro	9	$3,264,584	$3,240,138	-$24,446	$57,267	$32,821
Hinsdale	8	$2,987,365	$2,965,194	-$22,171	$50,904	$28,733
Holderness	3	$0	$2,034	$2,034	$19,089	$21,123
Hollis	15	$1,607,285	$1,565,854	-$41,431	$95,445	$54,014
Hooksett	19	$2,815,667	$2,763,278	-$52,389	$120,897	$68,508
Hopkinton	10	$1,905,931	$1,879,497	-$26,434	$63,630	$37,196
Hudson	39	$6,919,448	$6,812,232	-$107,216	$248,157	$140,941
Jackson	1	$0	$678	$678	$6,363	$7,041
Jaffrey	8	$2,352,503	$2,328,801	-$23,702	$50,904	$27,202
Jefferson	1	$466,337	$462,223	-$4,114	$6,363	$2,249
Keene	30	$8,840,630	$8,757,246	-$83,384	$190,890	$107,506
Kensington	3	$479,612	$470,225	-$9,387	$19,089	$9,702
Kingston	10	$1,975,736	$1,949,518	-$26,218	$63,630	$37,412
Laconia	23	$6,478,976	$6,415,115	-$63,861	$146,349	$82,488
Lancaster	6	$2,337,822	$2,321,573	-$16,249	$38,178	$21,929
Landaff	0	$110,910	$109,533	-$1,377	$0	-$1,377
Langdon	1	$255,937	$253,174	-$2,763	$6,363	$3,600
Lebanon	18	$2,401,478	$2,354,212	-$47,266	$114,534	$67,268
Lee	8	$2,629,363	$2,605,292	-$24,071	$50,904	$26,833
Lempster	2	$520,143	$515,853	-$4,290	$12,726	$8,436
Lincoln	2	$0	$1,356	$1,356	$12,726	$14,082
Lisbon	3	$1,229,896	$1,221,014	-$8,882	$19,089	$10,207
Litchfield	16	$4,085,784	$4,042,173	-$43,611	$101,808	$58,197
Littleton	9	$3,307,823	$3,282,833	-$24,990	$57,267	$32,277
Londonderry	53	$13,700,222	$13,552,992	-$147,230	$337,239	$190,009

Appendix B
Fiscal Impacts of Choice

	# Choice Students	2004 State Aid for Adequacy w/Targeting	With Choice New State Aid With Targeting	Difference From Actual 2004	Avoided Costs (# of vouchers x avg. variable cost per pupil @ 6,363)	Net Gain (loss) to Community
Lyman	1	$175,397	$173,885	-$1,512	$6,363	$4,851
Lyme	2	$274,956	$268,154	-$6,802	$12,726	$5,924
Lyndeborough	3	$537,417	$530,877	-$6,540	$19,089	$12,549
Madbury	3	$1,014,970	$1,005,397	-$9,573	$19,089	$9,516
Madison	4	$515,859	$505,656	-$10,203	$25,452	$15,249
Manchester	150	$45,567,271	$45,145,175	-$422,096	$954,450	$532,354
Marlborough	3	$1,051,066	$1,041,662	-$9,404	$19,089	$9,685
Marlow	1	$369,536	$366,173	-$3,363	$6,363	$3,000
Martin's Loc.	0	$0	$0	$0	$0	$0
Mason	2	$235,664	$231,572	$-4,092	$12,726	$8,634
Meredith	9	$0	$6,102	$6,102	$57,267	$63,369
Merrimack	47	$9,479,481	$9,350,859	-$128,622	$299,061	$170,439
Middleton	3	$867,637	$859,874	-$7,763	$19,089	$11,326
Milan	3	$938,927	$931,736	-$7,191	$19,089	$11,898
Milford	24	$5,543,197	$5,477,612	-$65,585	$152,712	$87,127
Millsfield	0	$0	$0	$0	$0	$0
Milton	7	$2,506,040	$2,485,592	-$20,448	$44,541	$24,093
Monroe	1	$409,555	$406,715	-$2,840	$6,363	$3,523
Mont Vernon	5	$1,092,792	$1,080,549	-$12,243	$31,815	$19,572
Moultonborough	6	$0	$4,068	$4,068	$38,178	$42,246
Nashua	134	$26,364,405	$26,000,143	-$364,262	$852,642	$488,380
Nelson	1	$203,415	$200,296	-$3,119	$6,363	$3,244
New Boston	8	$1,635,472	$1,614,238	-$21,234	$50,904	$29,670
New Castle	1	$0	$678	$678	$6,363	$7,041
New Durham	4	$888,432	$876,568	-$11,864	$25,452	$13,588
New Hampton	3	$732,413	$724,535	-$7,878	$19,089	$11,211
New Ipswich	8	$2,329,244	$2,306,539	-$22,705	$50,904	$28,199
New London	4	$0	$2,712	$2,712	$25,452	$28,164
Newbury	3	$0	$2,034	$2,034	$19,089	$21,123
Newfields	3	$336,583	$327,647	-$8,936	$19,089	$10,153
Newington	1	$0	$678	$678	$6,363	$7,041
Newmarket	11	$2,338,938	$2,306,790	-$32,148	$69,993	$37,845
Newport	11	$4,699,040	$4,665,765	-$33,275	$69,993	$36,718
Newton	8	$1,972,343	$1,949,968	-$22,375	$50,904	$28,529
North Hampton	7	$0	$4,746	$4,746	$44,541	$49,287
Northfield	8	$2,889,717	$2,866,452	-$23,265	$50,904	$27,639
Northumberland	5	$1,956,644	$1,943,654	-$12,990	$31,815	$18,825
Northwood	7	$1,914,474	$1,896,709	-$17,765	$44,541	$26,776
Nottingham	7	$1,337,659	$1,320,215	-$17,444	$44,541	$27,097
Odell	0	$0	$0	$0	$0	$0
Orange	1	$144,819	$143,631	-$1,188	$6,363	$5,175
Orford	1	$303,702	$299,588	-$4,114	$6,363	$2,249
Ossipee	7	$1,871,067	$1,851,285	-$19,782	$44,541	$24,759

Appendix B
Fiscal Impacts of Choice

	# Choice Students	2004 State Aid for Adequacy w/Targeting	With Choice New State Aid With Targeting	Difference From Actual 2004	Avoided Costs (# of vouchers x avg. variable cost per pupil @ 6,363)	Net Gain (loss) to Community
Pembroke	11	$3,355,418	$3,323,943	-$31,475	$69,993	$38,518
Penacook	7	$1,943,715	$1,923,783	-$19,932	$44,541	$24,609
Peterborough	10	$2,294,873	$2,268,887	-$25,986	$63,630	$37,644
Piermont	1	$276,838	$274,156	-$2,682	$6,363	$3,681
Pinkham's Grant	0	$0	$0	$0	$0	$0
Pittsburg	1	$0	$678	$678	$6,363	$7,041
Pittsfield	8	$2,938,442	$2,916,550	-$21,892	$50,904	$29,012
Plainfield	4	$765,746	$755,342	-$10,404	$25,452	$15,048
Plaistow	14	$2,044,456	$2,008,103	-$36,353	$89,082	$52,729
Plymouth	7	$2,890,050	$2,870,596	-$19,454	$44,541	$25,087
Portsmouth	21	$0	$14,238	$14,238	$133,623	$147,861
Randolph	0	$9,850	$8,542	-$1,308	$0	-$1,308
Raymond	16	$5,408,920	$5,362,580	-$46,340	$101,808	$55,468
Richmond	2	$583,307	$578,157	-$5,150	$12,726	$7,576
Rindge	8	$1,656,363	$1,635,080	-$21,283	$50,904	$29,621
Rochester	42	$14,173,500	$14,054,710	-$118,790	$267,246	$148,456
Rollinsford	3	$528,775	$519,173	-$9,602	$19,089	$9,487
Roxbury	0	$84,986	$83,879	-$1,107	$0	-$1,107
Rumney	2	$733,573	$727,188	-$6,385	$12,726	$6,341
Rye	8	$0	$5,424	$5,424	$50,904	$56,328
Salem	45	$3,093,858	$2,971,504	-$122,354	$286,335	$163,981
Salisbury	2	$398,627	$394,099	-$4,528	$12,726	$8,198
Sanbornton	4	$596,015	$585,596	-$10,419	$25,452	$15,033
Sandown	11	$2,912,945	$2,883,355	-$29,590	$69,993	$40,403
Sandwich	2	$0	$1,356	$1,356	$12,726	$14,082
Seabrook	11	$1,510,450	$1,480,584	-$29,866	$69,993	$40,127
Sharon	0	$80,295	$78,752	-$1,543	$0	-$1,543
Shelburne	1	$100,995	$99,929	-$1,066	$6,363	$5,297
Somersworth	17	$5,186,298	$5,139,498	-$46,800	$108,171	$61,371
South Hampton	2	$77,963	$73,900	-$4,063	$12,726	$8,663
Springfield	2	$348,605	$343,690	-$4,915	$12,726	$7,811
Stark	1	$407,369	$405,000	-$2,369	$6,363	$3,994
Stewartstown	1	$485,873	$482,612	-$3,261	$6,363	$3,102
Stoddard	1	$0	$678	$678	$6,363	$7,041
Strafford	7	$1,959,900	$1,939,095	-$20,805	$44,541	$23,736
Stratford	1	$715,738	$711,725	-$4,013	$6,363	$2,350
Stratham	14	$1,419,814	$1,383,123	-$36,691	$89,082	$52,391
Success	0	$0	$0	$0	$0	$0
Sugar Hill	1	$0	$678	$678	$6,363	$7,041
Sullivan	1	$316,728	$314,069	-$2,659	$6,363	$3,704
Sunapee	5	$0	$3,390	$3,390	$31,815	$35,205
Surry	1	$175,499	$173,384	-$2,115	$6,363	$4,248
Sutton	2	$443,203	$436,818	-$6,385	$12,726	$6,341

Appendix B
Fiscal Impacts of Choice

	# Choice Students	2004 State Aid for Adequacy w/Targeting	With Choice New State Aid With Targeting	Difference From Actual 2004	Avoided Costs (# of vouchers x avg. variable cost per pupil @ 6,363)	Net Gain (loss) to Community
Tamworth	4	$916,957	$906,934	-$10,023	$25,452	$15,429
Temple	2	$543,826	$537,499	-$6,327	$12,726	$6,399
Thornton	3	$549,958	$542,384	-$7,574	$19,089	$11,515
Tilton	6	$1,287,798	$1,273,018	-$14,780	$38,178	$23,398
Troy	4	$1,383,651	$1,373,729	-$9,922	$25,452	$15,530
Tuftonboro	3	$0	$2,034	$2,034	$19,089	$21,123
Unity	2	$528,132	$523,840	-$4,292	$12,726	$8,434
Wakefield	7	$1,821,605	$1,801,202	-$20,403	$44,541	$24,138
Walpole	6	$1,366,166	$1,350,881	-$15,285	$38,178	$22,893
Warner	4	$1,102,697	$1,090,489	-$12,208	$25,452	$13,244
Warren	2	$648,006	$643,687	-$4,319	$12,726	$8,407
Washington	1	$64,690	$60,312	-$4,378	$6,363	$1,985
Waterville Valley	0	$0	$0	$0	$0	$0
Weare	17	$5,123,831	$5,075,101	-$48,730	$108,171	$59,441
Webster	2	$579,593	$573,061	-$6,532	$12,726	$6,194
Wentworth	2	$600,684	$596,360	-$4,324	$12,726	$8,402
Wentworth Loc.	0	$4,791	$4,644	-$147	$0	-$147
Westmoreland	2	$693,719	$686,986	-$6,733	$12,726	$5,993
Whitefield	3	$1,286,215	$1,276,982	-$9,233	$19,089	$9,856
Wilmot	2	$402,426	$396,523	-$5,903	$12,726	$6,823
Wilton	6	$918,084	$902,686	-$15,398	$38,178	$22,780
Winchester	7	$3,162,204	$3,141,125	-$21,079	$44,541	$23,462
Windham	22	$2,508,169	$2,448,848	-$59,321	$139,986	$80,665
Windsor	0	$36,288	$35,372	-$916	$0	-$916
Wolfeboro	9	$0	$6,102	$6,102	$57,267	$63,369
Woodstock	2	$14,358	$9,085	-$5,273	$12,726	$7,453

[1] PolEcon estimates using 2000 Census Data which indicate that some 330,000 NH residents lived in a different house in either the same or different county in New Hampshire in 2000 than they did in 1995.
[2] The most recent school choice proposals in New Hampshire capped school choice opportunities at 2,000 annually or a maximum of 14,000 over 7 years.
[3] Financial impacts could be different if "choice students" are, on average, different in the amount of state (or even federal) aid that they bring to a school district. In New Hampshire there is some aid adjustments for factors such as poverty that are thought to increase the cost of educating students. These adjustments are small however. Federal funds also flow to schools as a result of the presence of students with certain characteristics. Again, in most cases this represents a small portion of all per pupil state and federal funds. Greater state and federal aid associated with some students is a result of assumed higher costs to educating these children so if the population of school choice students were somehow different, the loss of more revenue would be offset by the decline in their higher costs.
[4] An equally important question is whether the dollar amount of each voucher is high enough to give students a true "choice" by enabling viable private school options.
[5] The $3,390 figure is for FY2004 and under current law will be adjusted annually to account for inflation.
[6] We use actual 2004 state education aid calculations in our analysis and assess the impacts of choice to each community by adjusting the aid to each according to the number of students eligible to exit public schools via the choice program. The method used to calculate state education aid to communities will likely change in indeterminate ways for FY2005, To accurately assess the impact of a choice program our analysis assumes the program began in FY2004, and the most recent year for which we have actual state aid figures that can be adjusted to reflect a choice program.
[7] HB 754, introduced in the 2003 legislative session.
[8] Available at www.state.nh.us/osp/sdc/00Projections.xls
[9] These estimates include students who may be enrolled in private schools in another state.
[10] Using ordinary least squares regressions and using elementary school expenditure data maximize the number of school districts with data.
[11] In this model we use operating expenditures (excluding transportation expenditures, debt service etc.) as outlined by the New Hampshire Department of Education
[12] "Controlled" in this context means that the relationship between school expenditures and private school enrollments hold regardless of the property wealth or income level of communities.
[13] Source: PolEcon analysis of US Census Bureau Public Use Microdata (PUMS) 1% data file for New Hampshire.
[14] For this analysis we examine characteristics of children in grades 1through 4, because most choice proposals in New Hampshire begin with or are limited to the elementary school level.
[15] Variable costs in education are those costs which rise or fall according to the number of students in a school or district.
[16] There are actually several models, The New Hampshire Department of Education, the Legislative Budget Assistants Office (LBAO), New Hampshire Department of Revenue, and perhaps others. We use the LBAO model.
[17] We made no assumptions about the characteristics of school choice participants that might affect their impact on state education aid. Under New Hampshire's education finance system, some students are given a greater weight in determining the enrollment of public school children. Absent-specific information, about the characteristics of likely choice participants, we assume all choice students will receive a standard weight for purposes of determining state aid. To the extent that students in a choice program are actually "weighted" students, our assumption will understate the amount of state aid lost by a community due to choice. Because students are "weighted" to account for the assumed added cost to educate them, understating education aid revenue losses will be offset by an understating of the reduction in variable costs associated with educating them so the impact on our overall assessment of the net fiscal impact on communities (change in revenue – change in costs) will not be greatly affected.
[18] We use elementary expenditures to maximize the number of school district data available for analysis. Most school districts and communities have elementary schools while relatively few have secondary schools. In addition, initially, school choice proposals are likely to apply to only elementary grades. The results of our analysis, however, would apply to secondary schools as well, however the dollar estimates of per pupil variable costs would differ slightly.

[19] Fixed costs in education are costs that do not vary as the number of students in a district changes. As an example, the cost of electricity or heat in a school will not change if the school adds or loses students.
[20] Some opponents of school choice argue that such things as personnel expenses are fixed costs for a school district. While personnel costs are likely fixed for a period of less than a school year (because of teacher and administrator contracts etc.), they are variable over a period of one or more years.
[21] Even though debt costs are generally considered long-term costs, a district with fewer students would be faced with less need for capital expansion and therefore debt service would become variable over time.
[22] The ratio of fixed to variable costs will be highest if only a few students leave from each grade level. The loss of only a few students at any grade level will not have much of an impact on the cost structure of a district but over a period of more than one year, districts can consolidate classrooms in response to the loss of students and have substantial ability to adjust costs.

PolEcon Research
Brian J. Gottlob
51 Atkinson Street
Dover, New Hampshire 03820
Phone: 603-749-4072
Email: bgottlob@poleconresearch.com.

The Josiah Bartlett Center for Public Policy
7 South State Street
Concord, New Hampshire 03301
Phone: (603)224-4450 Fax: (603)224-4329
Email: jbartlett@jbartlett.org Web: www. jbartlett.org

Milton and Rose D. Friedman Foundation
One American Square, Ste. 1750
Box 82078
Indianapolis, Indiana 46282
Phone: (317) 681-0745 Fax: (317) 681-0945
www.friedmanfoundation.org