



**Testimony of Jeff McLynch,
Project Director, NH School Funding Fairness Project, on HB 623
before the House Finance Committee, Tuesday, February 9**

Chairman Weyler, Representative Wallner, Members of the Committee, thank you for the opportunity to testify this morning on HB 623.

For the record, my name is Jeff McLynch and I am the Project Director of the New Hampshire School Funding Fairness Project, a nonprofit organization that seeks to educate citizens and policymakers about the system New Hampshire uses to fund its public schools, to build awareness of the shortcomings of that system, and to advocate for changes in law to make that system more fair for students and taxpayers alike.

The aim of HB 623 is clear, simple, and essential. It seeks to put a floor under the education aid that the state provides to cities and towns and ensure that, for each of the next two years, every community receives at least the same amount of education aid that they receive in the current year. Given the long-standing problems that have plagued New Hampshire's school funding system, as well as the new challenges students, families, and schools face, I cannot urge the Committee strongly enough to recommend HB 623 as ought to pass. Moreover, as communities across New Hampshire are already weighing difficult budgetary decisions for the coming year, I would similarly urge the Committee to act on HB 623 as quickly as possible.

In setting education aid for each municipality for FY 2022 and FY 2023 at no less than the amount it received in FY 2021, HB 623 would achieve two important ends.

First, HB 623 would preserve the progress that the Legislature made under the current budget in bolstering state education aid and targeting it to those cities and towns most in need. As you will recall, the budget agreement reached in the fall of 2019 adds two elements to New Hampshire's funding formula for FY 2021: additional aid, which is intended to assist cities and towns with higher concentrations of low-income students, and fiscal capacity disparity aid, which is designed to help municipalities with comparatively low property values. Together, those two forms of aid delivered nearly \$60 million to struggling schools this year.

More to the point, as these two forms of aid begin to take steps toward addressing two of the flaws inherent in New Hampshire's current approach to funding its schools, they should be extended and maintained until more comprehensive reforms are adopted. Of note, according to a study conducted by the American Institutes for Research for the recent Commission to Study School Funding, New Hampshire's:

“...current [school funding] system is inequitable from both student and taxpayer perspectives. The districts serving the highest proportion of students who are economically disadvantaged spend less, on average, compared with districts serving the fewest such students. Moreover, the districts with the least property wealth per student impose the highest local education tax rates to be able to fund their children’s education.”

Additional aid and fiscal capacity disparity aid help to mitigate these inequities, inequities that will be just as severe in the coming biennium as they are in the current one.

Second, HB 623 would help to protect against the pandemic’s possible impact on school finances. As you know, two of the key determinants of the amount of state education aid a district receives are the number of students it serves generally and the number of low-income students it serves in particular (as measured by the number of students eligible for free and reduced-price lunch). Critically, the vast majority of school districts in New Hampshire have seen those numbers decline in the current 2020-21 academic year due to the pandemic. Attendance has dropped generally, as parents elect to educate their children on their own or to enroll them in private schools in the face of uncertainty about remote or hybrid learning; the reported number of children eligible for free and reduced price lunch has likewise dropped, not because of declines in food insecurity, but because of efforts the federal government has made to ease the delivery of food assistance.

More specifically, the Department of Education’s November 15 estimates suggest that attendance has declined by about 4 percent overall over the past year; while the long-term trend has been toward declining enrollments, a 4 percent drop is particularly steep. Those estimates also point to a roughly 24 percent decrease in the count of free and reduced price lunch students; those figures may fluctuate from year to year, but, during times of economic hardship, one would normally expect them to rise, not fall.

Both sets of numbers will almost surely rebound as the pandemic wanes and as schools resume in-person classes full time during the 2021-2022 academic year. However, because of a time lag in New Hampshire’s education aid formula, those temporarily lower numbers will be used to decide the amount of state aid districts will receive in 2021-22, even as attendance climbs back to normal levels. HB 623 recognizes that the student counts we are seeing now are not likely to reflect the situation schools will face this fall and thus sets FY 2021 funding amounts as a reasonable floor.

Without action along the lines of HB 623, state education aid is expected to fall by a total of some \$90 million between FY 2021 and FY 2022. Such a drop would force many cities and towns to turn to significant property tax increases or severe spending cuts as they set their school budgets for the next academic year; the scale of such property tax increases could drive up the bills homeowners face by hundreds of dollars. In fact, if property tax rates were the mechanism cities and towns use, more than twenty of them would have to resort to rate increases in excess of \$2 per \$1000 of assessed value. In an area like Farmington, for instance, a family with a home worth \$200,000 could see their property tax bill go up by more than \$400 if the town were to compensate for the loss in state education exclusively through property tax changes.

In sum, schools across New Hampshire have been short-changed by the state for decades. At this unprecedented moment in our state's history, we should not compound those difficulties by allowing state education aid to decline as is now anticipated. Accordingly, I once again urge the Committee to recommend HB 623 as ought to pass and to do so as expeditiously as possible. I look forward to working with the members of the Committee to try to address these pressing issues and would be happy to answer any questions you may have.