



**Testimony of Jeff McLynch,
Project Director, NH School Funding Fairness Project,
on HB 608 before the House Education Committee,
Tuesday, February 16**

Chairman Ladd, Representative Myler, Members of the Committee, thank you for the opportunity to offer testimony this afternoon on HB 608.

For the record, my name is Jeff McLynch and I am the Project Director of the New Hampshire School Funding Fairness Project (NHSFFP), 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.

As initially introduced, HB 608 contained a number of provisions that would have strengthened New Hampshire's school funding system, forestalled damaging declines in state education aid in the coming year, and mitigated some of the inequities that now plague New Hampshire's property tax system. While the amendment to the bill that is now before the Committee would preserve several key elements of the original measure and would address its principal shortcoming, the amendment would also effectively strike two much needed changes in the underlying bill and delay its implementation until FY 2024. NHSFFP respectfully urges the Committee to restore those two sets of provisions and to return the bill's effective date to later this year before approving HB 608.

To expand upon these points, one of the more immediate gains found in the original version of HB 608 was that it created a new floor for state education aid to ensure that the amount of aid a municipality receives in a given year is no less than what it received in the preceding fiscal year. In so doing, that version of the bill would have offered some measure of protection against the pandemic's possible impact on school finances. Such language appears to be absent from the amendment now before the Committee; NHSFFP asks that the Committee reinstate some form of a floor for state education aid for at least FY 2022 when it considers the bill in executive session.

By way of further background, 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 608, as introduced, recognized that the student counts we are seeing now are not likely to reflect the situation schools will face this fall and thus set a floor under state education aid to prevent such ephemeral declines from having a very real impact on schools' ability to provide every child with a quality education. Any version of the bill approved by the Committee should include similar provisions.

In addition, both HB 608 as introduced and the amendment that has now been proposed would build upon the progress the Legislature made under the current budget in bolstering state education aid for communities 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. Both the original and amended version of HB 608 would dramatically expand these two forms of aid and them permanent. However, the proposed amendment would not institute these reforms until FY 2024; 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, NHSFFP encourages the Committee to accelerate their implementation into the upcoming FY 2022-23 biennium.

The original version of HB 608 would have improved upon New Hampshire's existing approach to school funding in one other critical way, as it would have ended the preferential treatment that some property-wealthy municipalities now enjoy under the Statewide Education Property Tax (or SWEPT) and require every community to pay the full amount of the tax to the state. Under the New Hampshire Constitution, it is the duty of the state to provide an adequate education to every child regardless of where she or he may live. Moreover, as the New Hampshire Supreme Court ruled in *Claremont II*, to "the extent that the property tax is used in the future to fund the provision of an adequate education, the tax must be administered in a manner that is equal in valuation and uniform in rate throughout the State."

In its current form, the SWEPT is far from uniform. Cities and towns with comparatively high property wealth are permitted to retain any revenue from the tax over and above what is needed to meet the cost of an adequate education, rather than remitting the difference to the state, as they did when the tax was first instituted, thus lowering the effective rate of the tax. Consequently, the SWEPT exacerbates the wide disparities in school property

tax rates that now exist throughout New Hampshire and that curtail the opportunities available to students in less well-to-do areas.

Restoring the SWEPT as a true statewide tax is consistent with one of the key recommendations offered by the recent Commission to Study School Funding. As members of the Committee know, that Commission met for much of last year, despite the pandemic, and received hours of input from school finance officials, tax administrators, academic experts, and members of the public. They examined New Hampshire's school property tax system at length and, after doing so, included the following recommendation in its final report:

"the state should eliminate the "excess-SWEPT" grant and such excess funds should be applied through the reformed distribution formula to improve student and taxpayer equity. There should be no blanket rebates, abatements, refunds or grants of [SWEPT] back to municipalities."

Once again, the original version of HB 608 included provisions to put that recommendation into law, but those aspects of the bill do not seem to have carried over into the new amendment. NHSFFP recommends that they be reinserted.

Finally, in its original form, HB 608 appeared to set the dollar amounts used in the existing adequacy formula to their FY 2020-21 levels beginning in FY 2024; such a change would have effectively eliminated two biennia worth of inflation adjustments and driven down the amount of aid the formula would have otherwise delivered. The amendment now before the Committee remedies that possible shortcoming by setting those amounts at the appropriate level for FY 2022.

In closing, I hope NHSFFP will have the chance to work with the members of the Committee and the sponsors of the bill to address the concerns I've outlined here and, ultimately, to build a school funding system that fulfills the state's responsibilities and that leads to greater equity for students and taxpayers alike. I thank you again for the chance to provide this testimony and would be happy to try to answer any questions you may have.