



**Testimony of Jeff McLynch,  
Project Director, NH School Funding Fairness Project, on HB 1 & 2  
before the Senate Finance Committee, Tuesday, May 4**

Chairman Daniels, Senator D’Allesandro, Members of the Committee, thank you for the opportunity to testify today on HB 1 and 2, better known as the FY 2022-23 budget.

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 educates citizens and policymakers about New Hampshire’s school funding system, builds awareness of the shortcomings of that system, and advocates for changes in law to make that system more fair for students and taxpayers alike.

**I come before you today to urge you to make several significant changes to the version of the FY22-23 budget that the House of Representatives sent to you, changes not only to ensure that the COVID-19 pandemic does not have adverse consequences for school finances or for local property taxpayers, but also to preserve the progress that the Legislature made in the current budget in bolstering education aid and targeting it to those cities and towns most in need.**

While the focus of the proposed budget is the provision of public services in each of the next two years, it is important to acknowledge at the outset that, when it comes to school funding, two fundamental injustices have been allowed to persist in New Hampshire for at least several decades. Despite a clear constitutional mandate, far too many of our children continue to face deep and enduring inequities in the educational opportunities available to them, diminishing not only their futures, but that of the Granite State as a whole. At the same time, enormous disparities in the property taxes paid by residents and businesses in different communities pose oftentimes insuperable barriers to economic security and development.

Indeed, a study conducted last year by the American Institutes for Research for the Commission to Study School Funding confirmed that 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.”*

Unless the Committee acts to improve HB 1 and 2, the challenges before New Hampshire's public schools – and the students, families, and communities they serve – will be even more severe in the coming biennium. More specifically, according to data from the Office of the Legislative Budget Assistant and the Department of Education, due to the pandemic and the termination of additional aid and fiscal capacity disparity aid, state education aid is expected to fall, in total, by roughly \$90 million between FY 2021 and FY 2022. Though the full scope of the fiscal consequences is not yet known, with the announcement by the US Department of Agriculture last month that it will extend food assistance waivers through summer 2022, much of this problem is expected to persist into FY 2023 as well.

To expand upon the sources of this decline, 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 COVID-19 pandemic. Attendance has dropped generally, as parents have elected to educate their children on their own or to pursue other alternatives 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.

Yet, because of a time lag in New Hampshire's education aid formula, barring changes in law, those temporarily lower numbers will be used to decide the amount of state aid districts will receive in 2021-22, even as the pandemic wanes and schools return to the schedules and settings that existed prior to its onset.

In addition, as you will recall, the budget agreement reached in the fall of 2019 added 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. By law, though, those two forms of aid will no longer be available at the close of the current biennium. From NHSFFP's perspective, as these two forms of aid begin to take steps toward addressing some 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.

Nevertheless, the versions of House Bills 1 and 2 that the House of Representatives approved on April 7 – that is, the versions that are before the Committee today – failed not

only to begin to rectify the school funding injustices that have plagued New Hampshire for so long, but also to respond appropriately to the difficulties created by the pandemic and by expiring law. **While HB 2, in its current form, does contain provisions intended to mitigate the effect on school finances of temporarily lower numbers of students completing the paperwork for free and reduced price meals, it only does part of the job, closing just \$17 million of the expected \$90 million gap in FY 2022. Worse still, though HB 2, as passed by the House, identifies an additional \$100 million for use by the Education Trust Fund in FY 2023, it devotes those funds to a reduction in the statewide education property tax (or SWEPT), rather than targeting greater assistance to those communities most in need, whether because they have comparatively low property values or because have relatively high concentrations of low-income students.** Only about 1.5 percent of that proposed SWEPT reduction would be realized in the 10 most property-poor communities in the state (as measured by equalized valuation per pupil or EVPP), places such as Charlestown, Newport, and Haverhill.

**Consequently, I would urge the Committee to strengthen the proposed budget significantly before it is considered by the full Senate. In particular, I would urge the Committee to remove the proposed \$100 million reduction in the SWEPT and, instead, to insert provisions along the lines of those found in HB 623, which was introduced earlier this session by Representative David Luneau of Hopkinton.**

HB 623's approach is simple and clear. It compares districts' FY 2021 education grants to their expected FY 2022 grants and provides them with the greater amount; it would do the same in FY 2023 as well. As a result, not only would such provisions prevent pandemic-induced changes in enrollment from adversely affecting education aid, but they would also support higher-need districts by effectively continuing to provide additional aid and fiscal capacity disparity aid.

To be sure, the Senate has previously adopted, by a unanimous 24-0 vote in mid-February, legislation that would address approximately half of the anticipated \$90 million school funding shortfall in the coming year. That bill, SB 135, aims to protect against the COVID-19 pandemic's possible impact on school finances by directing the Department of Education to use the higher of a district's or town's 2019-2020 average daily membership in attendance (ADM-A) or 2020-2021 ADM-A in calculating state education aid. However, as written, the changes the bill contains are limited strictly to FY 2022. **Therefore, if the Committee intends to incorporate SB 135 into its version of the FY22-23 budget, I would urge Senators to extend its effect into FY 2023. With the recent announcement by the USDA that it will extend a number of waivers related to school meals through the end of June 2022, it seems likely that the free and reduced price meal eligibility counts used to determine state education aid will remain depressed for another year and thus have the potential to hold down that aid throughout FY 2023.**

Finally, as the members of the Committee are likely aware, in anticipation of a substantial decline in state education aid in the next biennium, many cities and towns have already turned to significant property tax increases or sizable spending cuts in setting their school budgets for the next academic year. Strengthening HB 1 and 2 in the manner I've described here could help to reduce the need for, and the potential scale of, such changes. Just as importantly, municipalities do have the authority to revisit those decisions should additional state education aid become available. Of note, RSA 197:3-a stipulates that:

*“In response to statutory changes resulting in reductions or increases in distribution of state revenues for education ... which would take effect after the adoption of a new school district budget and would apply in the fiscal year covered by the new budget, the governing body of a school district may, after consultation with the budget committee, call a special meeting of the legislative body to consider a reduction, rescission, or increase of appropriations made at an annual meeting...”*

It is imperative that the Legislature send a clear signal to all municipalities as quickly as possible, so that they can ready themselves for such meetings.

In closing, while the school funding problem in the current budget may amount to tens of millions of dollars in each year of the biennium, New Hampshire has long fallen hundreds of million of dollars short, on an annual basis, of meeting its obligations to provide an adequate education to every child in the state. Solving the problem at hand is urgent and necessary, but the time to recast the system as a whole, so that all Granite State families are treated more equitably, is well past due. NHSFFP hopes that the Senate will take decisive action on these issues in the current budget and stands ready to work with all Senators to build a more just school funding and property tax system in the years ahead.

I thank you again for the opportunity to appear before you today and would be more than happy to answer any questions you may have.