



**Testimony of Jeff McLynch,  
Project Director, NH School Funding Fairness Project, on SB 135  
before the House Education Committee, Thursday, March 25**

Chairman Ladd, Representative Myler, Members of the Committee, thank you for the opportunity to testify this morning on SB 135.

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 SB 135 is clear, as it seeks to protect against the COVID-19 pandemic's possible impact on school finances. The need for the bill's enactment is urgent, as communities across New Hampshire continue to weigh difficult budgetary decisions for the coming 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 urge the Committee to strengthen SB 135 and to recommend it as ought to pass once amended; similarly, I urge the House as a whole to act on the bill as quickly as possible. Barring timely action by the House on SB 135 as a separate piece of legislation, I would urge you and your colleagues to incorporate its provisions, along with other changes in law designed to address an anticipated \$90 million shortfall in state education aid, into the House's version of the FY 2022-23 budget.

As members of the Committee 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 COVID-19 pandemic. Attendance has dropped generally, as parents elect 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.

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, 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 attendance climbs back to normal levels. SB 135 recognizes that the student counts we are seeing now are not likely to reflect the situation schools will face this fall and thus, as a reasonable alternative, directs 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.

While passage of SB 135 is certainly vital, the bill could be made stronger still, in order to 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. Consequently, I ask that the Committee amend SB 135 to extend these two forms of aid for another two years.

According to data from the Office of the Legislative Budget Assistant, due to the pandemic and the termination of additional aid and fiscal capacity disparity aid, state education aid, in total, is expected to fall by some \$90 million between FY 2021 and FY 2022. Anticipating such a drop, many cities and towns have already turned to significant property tax increases or sizable 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.

Passage of SB 135 in its present form could help to reduce the need for, and the potential scale of, such changes, but the maintenance of additional aid and fiscal capacity disparity aid would reduce them still yet further. Critically, while a number of municipalities throughout the state have approved their school budgets for the coming year, they do have the authority to revisit those decisions should additional state education aid become available. More specifically, 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...”*

However, 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 conclusion, the COVID-19 pandemic has tragically taken the lives of more than a thousand Granite Staters, disrupted the New Hampshire economy, and upended our daily lives in ways large and small. We should not allow it to continue to have adverse consequences for our schools and the children and families they serve. Accordingly, I once again urge the Committee to strengthen SB 135, to recommend it 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.