



**Testimony of Jeff McLynch,
Project Director, NH School Funding Fairness Project,
on HB 1680 before the House Education Committee,
Wednesday, January 12**

Chairman Ladd, Representative Myler, Members of the Committee, thank you for the opportunity to offer testimony this afternoon on HB 1680.

For the record, my name is Jeff McLynch and I am the Project Director of the NH School Funding Fairness Project (NHSFFP), a nonprofit organization that educates citizens and policymakers about the system New Hampshire uses to fund its public schools, 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.

As the members of this Committee know well, New Hampshire's school funding system suffers from a pair of injustices: deep and enduring inequities in educational opportunity and enormous differences in the property taxes we pay as residents and business owners to support our public schools. The tremendous gap between what the State has determined to be the cost of an adequate education – about \$4,700 per student on average – and the costs communities actually face – roughly \$19,300 per student on average, as of the 2020-21 school year – are a glaring testament to these injustices, as are school property tax rates that range from \$2.27 to \$20.89 per \$1,000 of value.

These two injustices, in turn, arise from a single source. The State of New Hampshire has failed for decades to fulfill its fundamental, Constitutional responsibility to provide an adequate education to every child within its borders. Instead, it has shifted that responsibility onto local property taxpayers, forcing them to bear \$2.3 billion in costs each year, costs that should be met with state revenues.

The only way to remedy those injustices is to end such downshifting and to create a system that enables the State of New Hampshire to meet, at long last, its core educational responsibilities. Stated slightly differently, to achieve greater equity for both students and taxpayers, the State of New Hampshire must generate the \$2.3 billion in funds that local property taxpayers now put up each year.

Importantly, in shifting responsibility for providing an adequate education back to where it belongs, any revenue source that is put in place at the state level must be aimed at replacing existing local school property taxes. Ensuring New Hampshire meets its fundamental responsibility does not necessarily mean that total amount of school funding throughout the state will go up or go down. What will change is who pays for our public schools – and how.

The bill before you this afternoon - HB 1680 – would take meaningful steps toward alleviating some of the disparities now endemic in New Hampshire’s school funding system. Three changes in particular stand out in this regard:

- First, consistent with rigorous statistical analyses conducted by the American Institutes of Research for the 2020 Commission to Study School Funding, **the bill would modify the current adequacy aid formula to ensure that the distribution of such aid better reflects the needs of school districts and the student populations they serve.** In so doing, it would strengthen the ability of districts with higher concentrations of students facing educational obstacles to help such students achieve statewide average outcomes.
- Second, **HB 1680 would mitigate some of the variation in the school property tax rates now faced by different homeowners and businesses in different parts of the state by requiring municipalities to remit the full amount of the existing statewide property tax (or SWEPT) to the state treasury.**

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.

- Third, **the bill would ease the economic hardships school property taxes can create for Granite Staters struggling to make ends meet by expanding eligibility for New Hampshire’s Low- and Moderate-Income Homeowners Property Tax Relief Program and by substantially increasing the value of the rebates the program pays out.** More specifically, it would raise the income eligibility thresholds for the program, allowing single homeowners with incomes under \$55,000 and married couples with incomes less than \$70,000 to take part, and would raise the maximum rebate available under the program from roughly \$200 to \$1,000.

Nevertheless, **HB 1680 would fall short of attaining the kind of comprehensive reform needed to ensure the State of New Hampshire fulfills its Constitutional responsibility to provide an adequate education to every child.** In particular, in establishing a “minimum foundation budget contribution” equal, in some cases, to \$5 per \$1,000 of equalized valuation, the bill would require local property taxpayers to continue to help finance the provision of an adequate education, a duty that lies squarely with the State.

In its findings, the bill lauds the partnership that exists between the State of New Hampshire and local governments in developing educational programs and in administering our public schools. While there may shared responsibility in *delivering* an adequate education, the responsibility for *funding* an adequate education for every child is the responsibility of the State of New Hampshire and the State's alone. As the Supreme Court made abundantly clear in its 2006 *Londonderry* ruling:

“Whatever the State identifies as comprising Constitutional adequacy, it must pay for. None of that financial obligation can be shifted to local school districts, regardless of their relative wealth or need.”

Of course, as the bill stipulates and as prior Supreme Court rulings have affirmed, local governments may provide support for their local public schools in excess of the sums needed to deliver a constitutionally adequate education, but adequacy itself is the charge of the State.

In addition, in making the changes noted above to the current adequacy aid funding formula, the bill likely entails an increase in the total amount of such aid the state may distribute in a given year, though, as a fiscal note for the bill is not yet available, the extent of this increase is not yet known. To be sure, the state should be increasing such aid, so that localities are not forced to pay the lion's share of costs for public education. However, **beyond the restoration of the SWEPT as a true statewide tax, the bill does not appear to include a permanent state revenue source to support any such increase.**

In closing, I hope NHSFFP will have the chance to work with sponsors of HB 1680 and the members of this Committee to address the concerns I've touched upon 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.