

NH SCHOOL

Funding Fairness Project

*Advocating to make
school funding more equitable
for students and taxpayers alike*

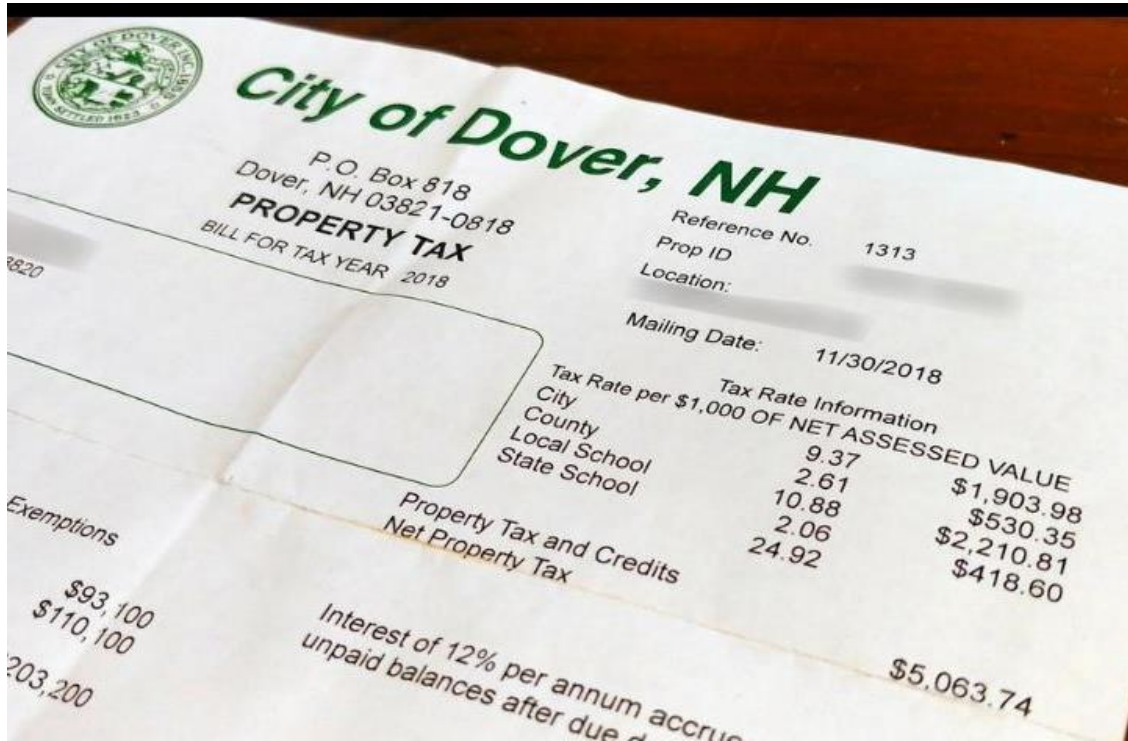
***Zack Sheehan, Project Director
September 20, 2022***



School Funding and Property Taxes



NH SCHOOL
Funding Fairness
Project



Local property taxpayers face greater and greater strains on their budgets.



Agenda

School Funding and Property Taxes

New Hampshire's Constitutional Responsibilities

Role of Property Taxes in Funding & Resulting Inequities

Enormous Gap Between State Aid & Actual School Costs

Consequences & Implications of New Hampshire's Current School Funding System

Current and Future Steps

School Funding and Property Taxes Overview

- Taxpayers and students are not treated equitably or fairly.
- The problem is getting worse.
- The current system is unconstitutional.



The New Hampshire Supreme Court's decisions in the Claremont case re-established two fundamental responsibilities:

1. The State of New Hampshire has a duty to pay for the cost of a constitutionally adequate education for every K-12 student.
2. The taxes that the State of New Hampshire uses to pay for this education must have a uniform rate across the state.



The Scope of an “Adequate Education”: Expansive and Future-Oriented

“Mere competence in the basics—reading, writing, and arithmetic—is insufficient in the waning days of the twentieth century to insure that this State's public school students are fully integrated into the world around them. A broad exposure to the social, economic, scientific, technological, and political realities of today's society is essential for our students to compete, contribute, and flourish in the twenty-first century.”

Claremont II, 142 N.H. at 474



Connection Between Defining and Funding an Adequate Education

“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.”

Londonderry School District v. State of NH, 154 N.H. at 162 (2006)



The Constitutional Standard for Using Property Taxes for School Funding

“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.”

Claremont II, 142 N.H. at 471



School Districts and Taxpayers Are Again Suing the State

- The “ConVal” suit, filed in 2019, argues that the State definition of “adequacy” is not sufficient and therefore downshifts the burden to local property taxpayers.
- The “Rand” suit, filed in June 2022, argues that because the local property tax rates used to fund the bulk of the cost of public education are **not** uniform in rate, that is a violation of standard outlined in the Claremont rulings.



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School Funding and Property Taxes

New Hampshire's Constitutional Responsibilities

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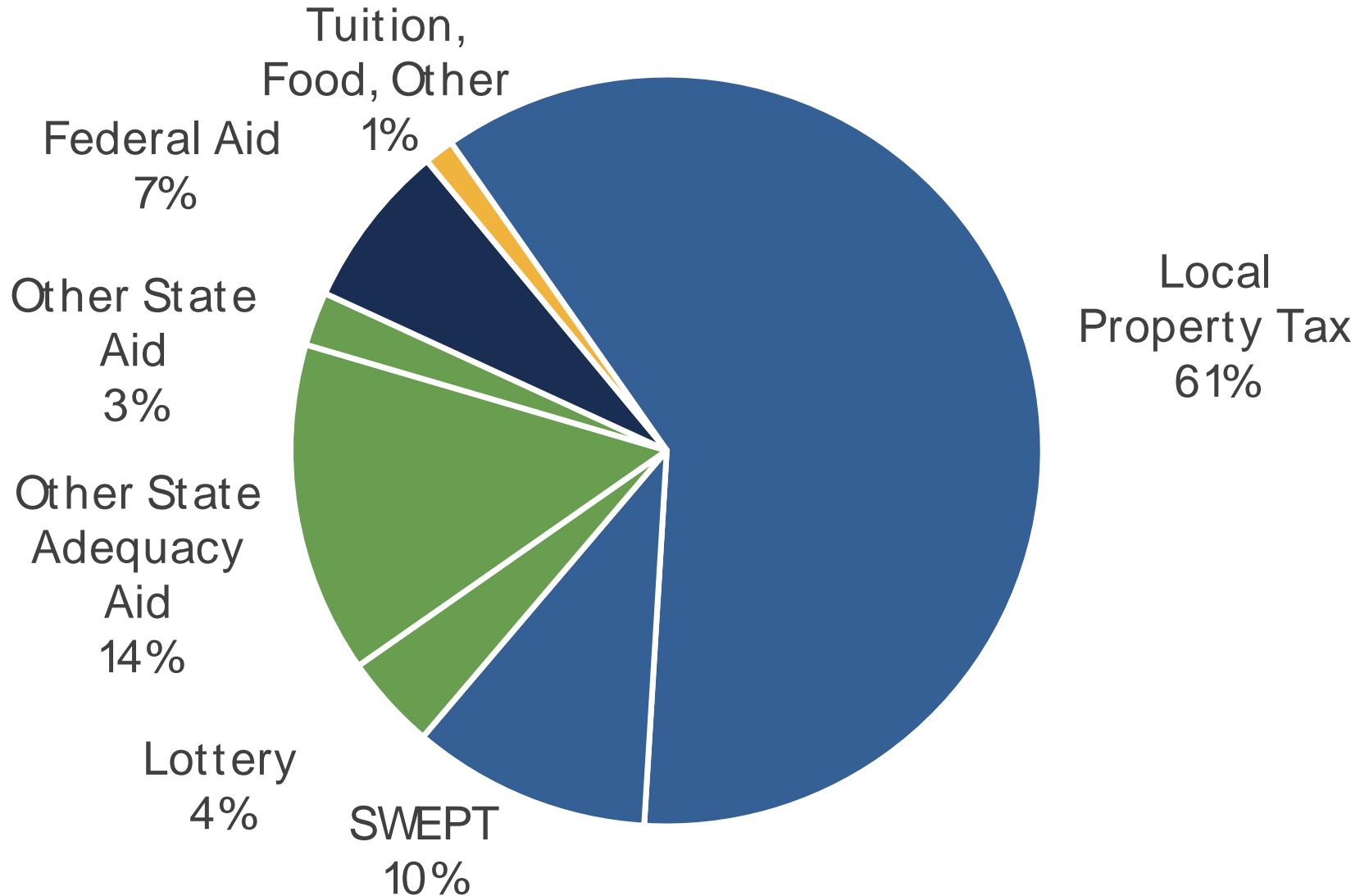
Enormous Gap Between State Aid & Actual School Costs

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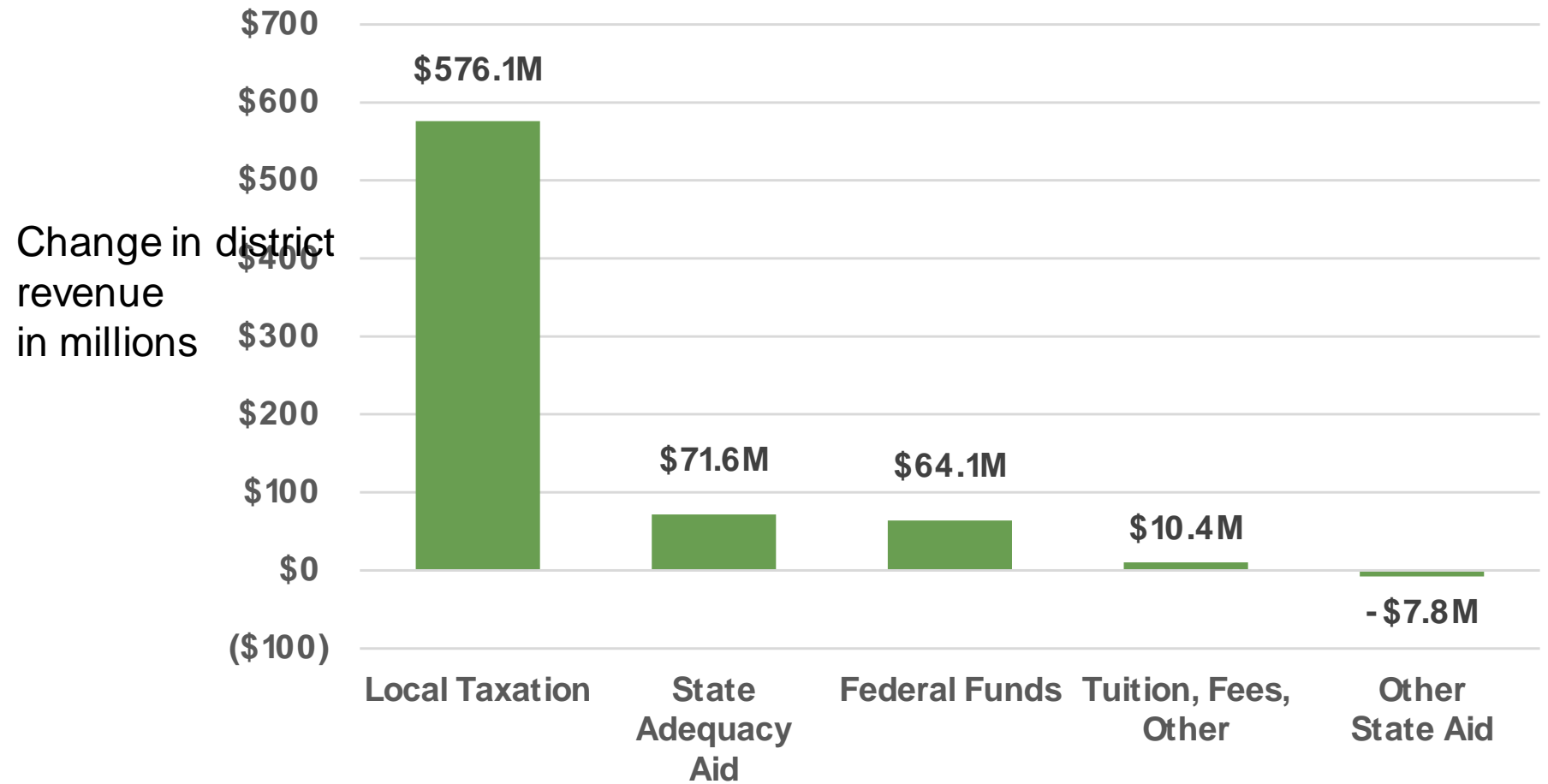
NH Relies Overwhelmingly on Local Property Taxes to Fund Public Education

2020-2021 Revenue of NH School Districts - \$3.54 billion



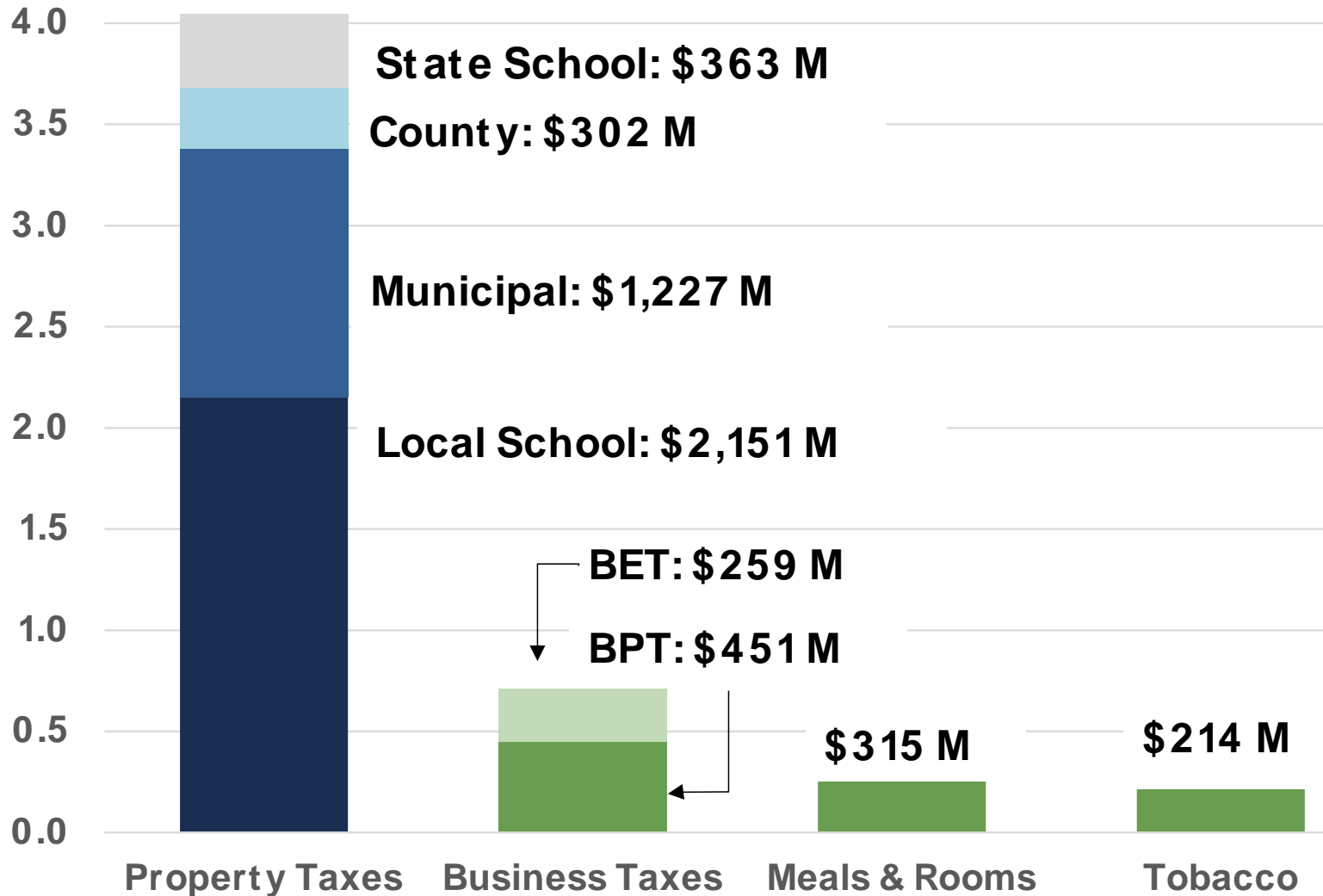
Reliance On Local Property Taxes Has Grown Over Time

Change in School District Revenue, 2012– 2021



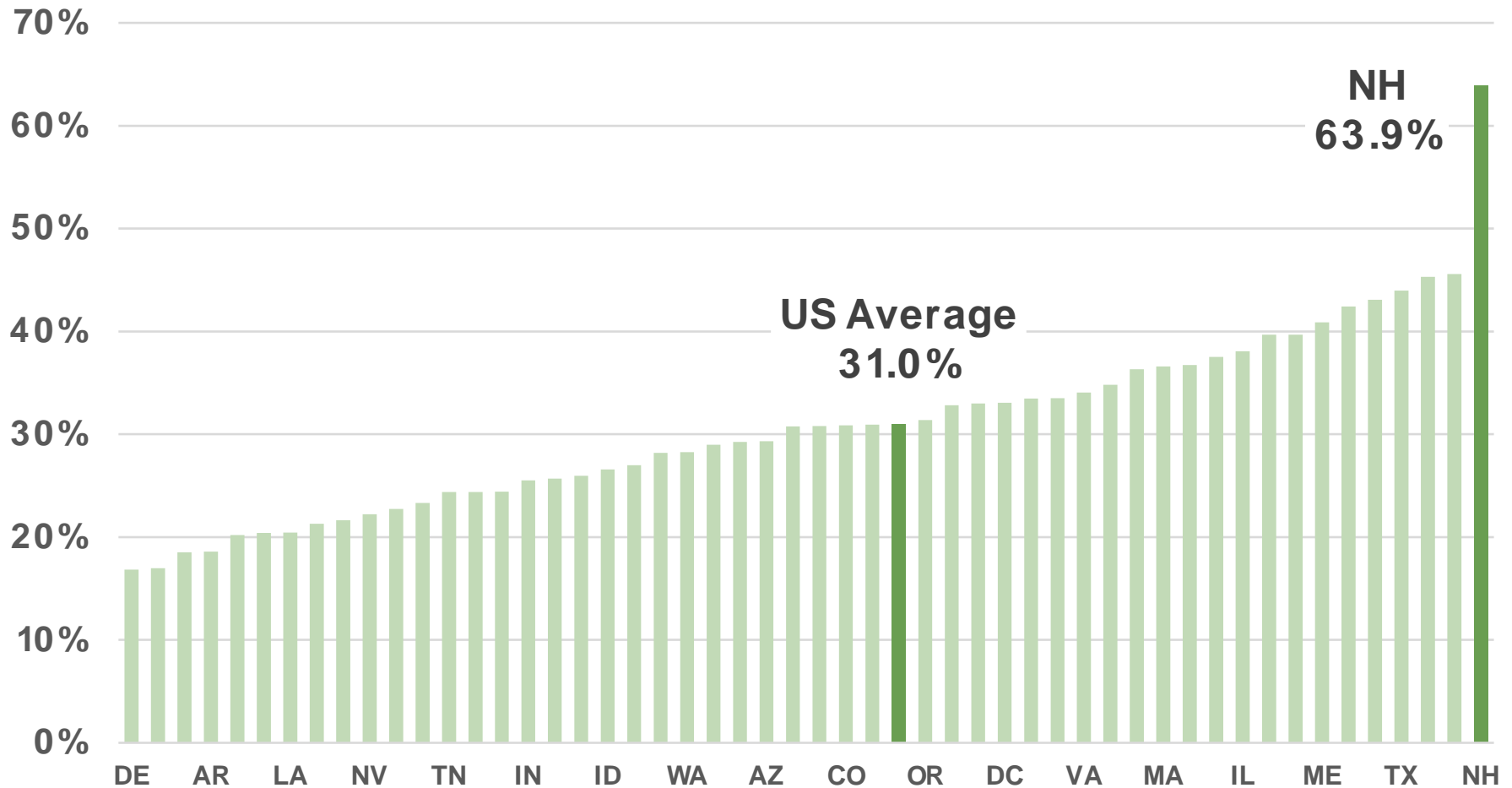
The Property Tax is the Largest Tax in NH

Tax revenue by source, 2020 (all figures in \$million)



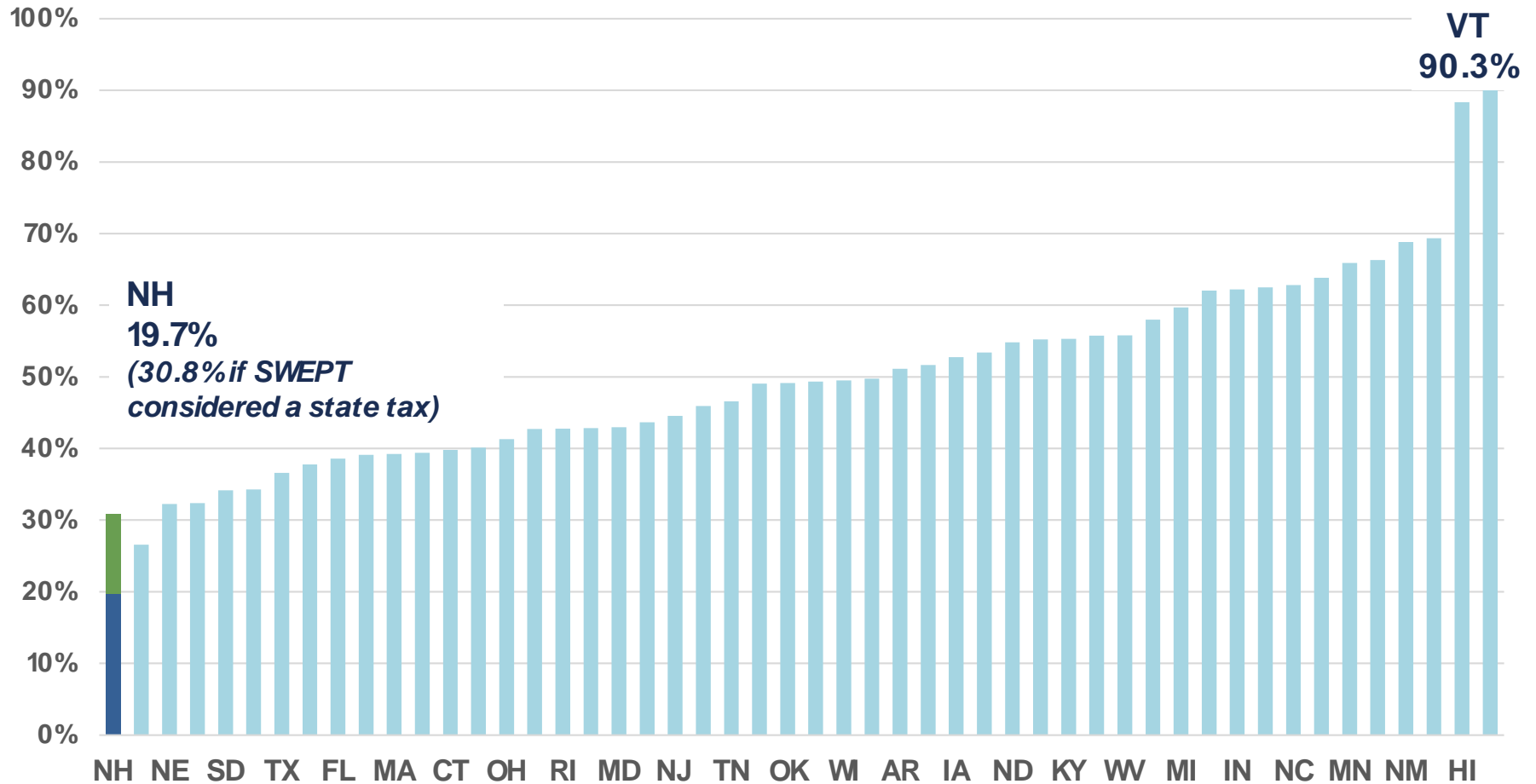
NH's Property Tax Reliance is the Highest in the Country

Property tax revenue as a share of total state and local tax revenue, 2017-2018



State's Share of School Funding in NH is the Smallest in the Country

Percent of school revenue from state sources, 2018-19



Role of Property Taxes & Resulting Inequities

**The key concept for
comparing school tax rates:
Equalized value per pupil**

**How much property value
is available in a town
to be taxed to support
each student's education?**



Role of Property Taxes & Resulting Inequities

It's simple math.

Property Value	Tax Rate (Per Thousand)	Revenue Raised
\$1,000,000	\$10.00	\$10,000
\$400,000	\$10.00	\$4,000



Role of Property Taxes & Resulting Inequities

It's simple math.

Property Value	Tax Rate (Per Thousand)	Revenue Raised
\$1,000,000	\$10.00	\$10,000
\$400,000	\$25.00	\$10,000



Role of Property Taxes & Resulting Inequities

There would be no problem...

IF

The distribution of property value

AND

the distribution of students
were approximately the same.

They are not.



Role of Property Taxes & Resulting Inequities

Equalized Valuation and Tax Rates for Select NH Schools, 2020-21

Town	Pupils	Equalized Value Per Pupil	Equalized School Tax Rate	Amount Raised Per Pupil
New Hampshire	166,261	\$1,346,793	11.21	\$15,098
Portsmouth	2,117	\$3,399,350	6.10	\$20,736
Milford	2,184	\$902,842	16.21	\$14,635
Bow	1,440	\$943,418	14.64	\$13,812
Claremont	1,609	\$523,285	20.37	\$10,659
Newport	790	\$649,873	15.42	\$10,021
Brentwood	748	\$1,085,324	17.23	\$18,700
New London	342	\$4,264,231	9.67	\$41,235
Bristol	349	\$1,662,424	10.35	\$17,206



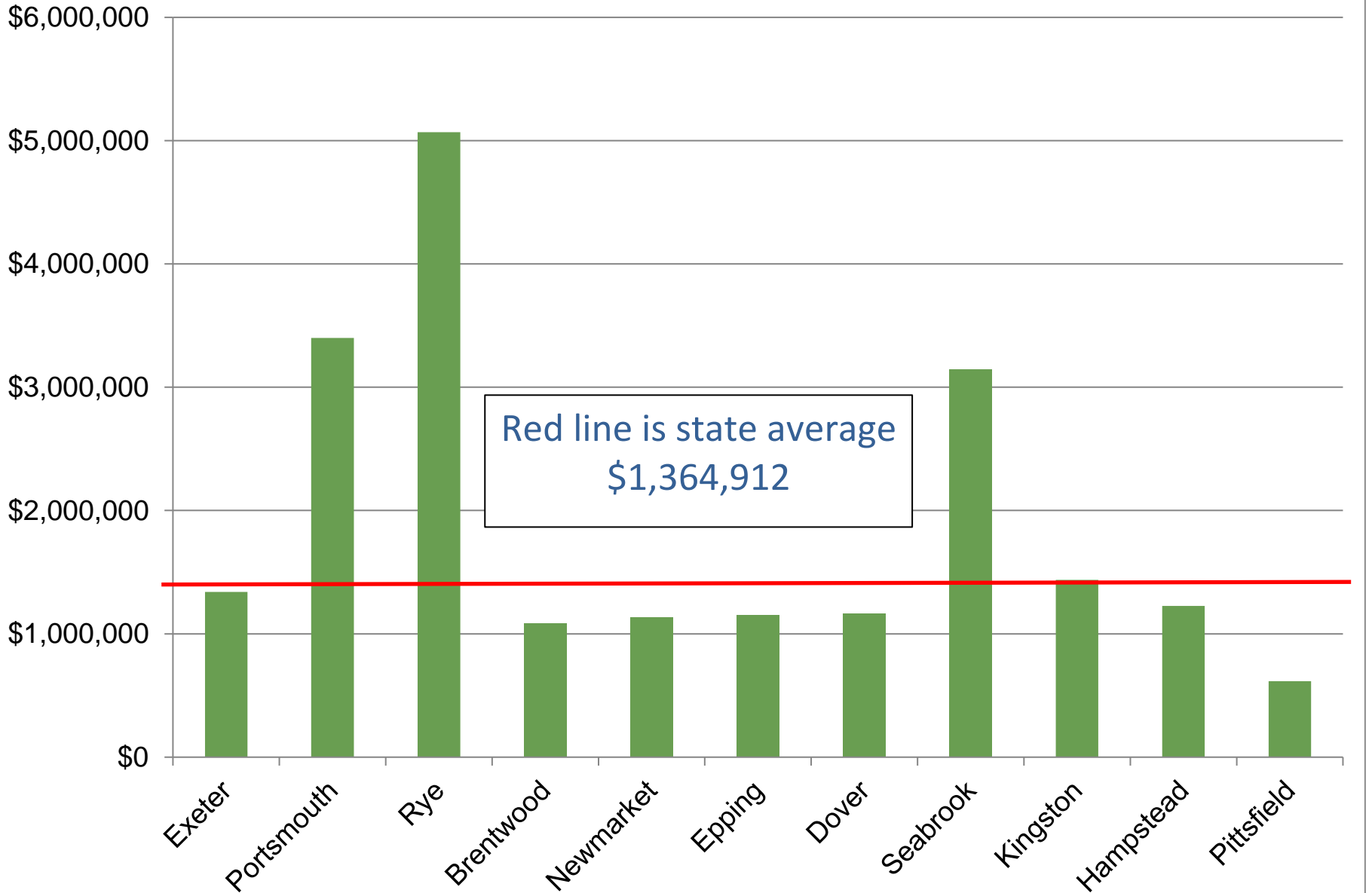
Role of Property Taxes & Resulting Inequities in this Region

Equalized Valuation and Tax Rates for Select NH Schools, 2020-21

Town	Pupils	Equalized Value Per Pupil	Equalized School Tax Rate	Amount Raised Per Pupil
Manchester	13,021	\$992,971	8.43	\$8,371
Fremont	570	\$1,031,016	16.69	\$17,208
Brentwood	748	\$1,085,324	17.23	\$18,700
Newmarket	1,016	\$1,133,301	15.80	\$17,906
Newfields	247	\$1,307,673	14.71	\$19,236
New Hampshire	166,261	\$1,346,793	11.21	\$15,098
Stratham	1,146	\$1,458,739	14.29	\$20,845
Kensington	299	\$1,690,277	14.71	\$24,864
Portsmouth	2,117	\$3,399,350	6.10	\$20,736

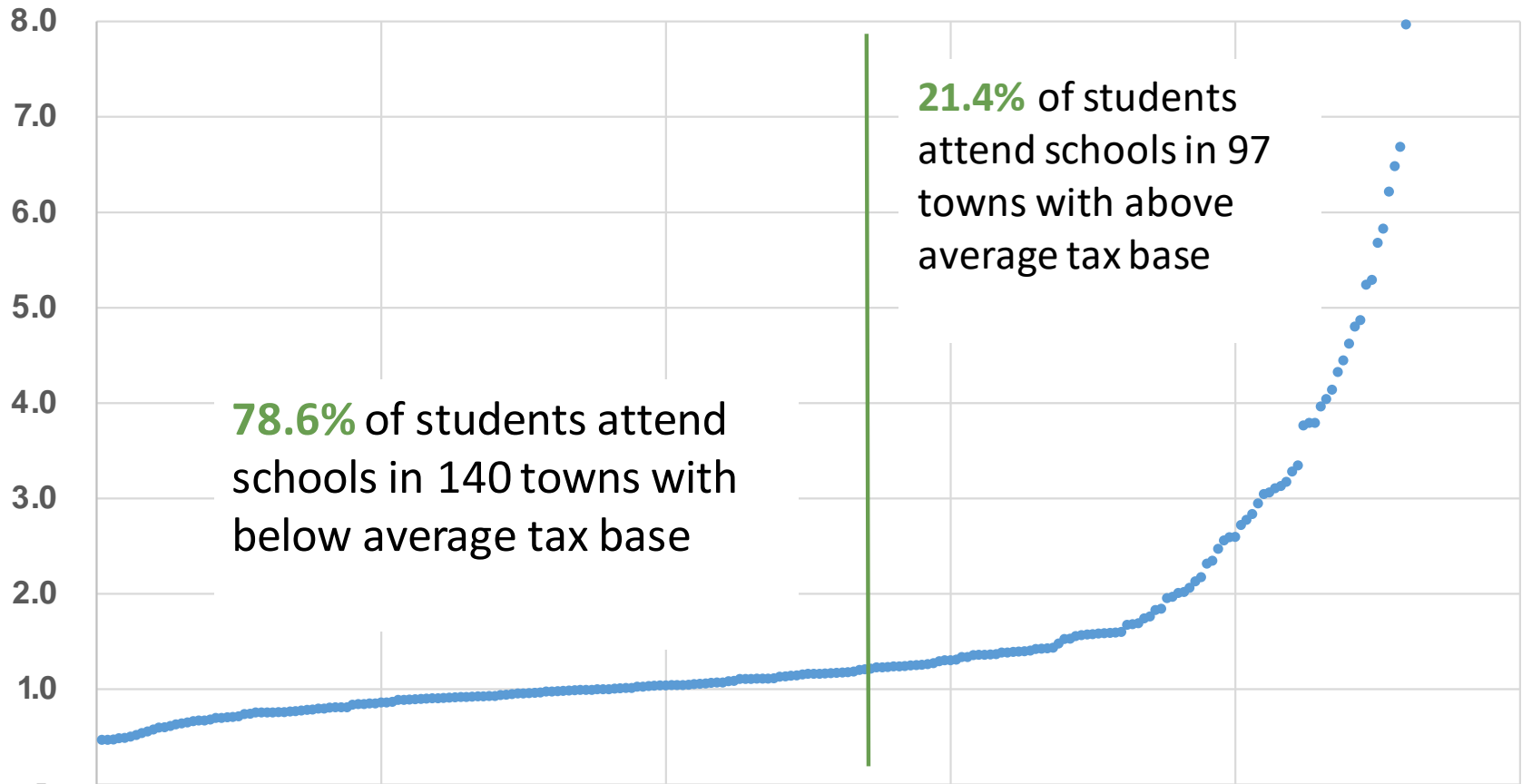


Equalized Property Value per Pupil 2020-21



Most NH Children Attend School in Communities with Below Average Property Values

2020 Equalized Value Per Pupil for 237 Towns (in \$M)



One dot for each of 230 towns, sorted from lowest EVP to highest (7 towns with EVP over \$8 million not shown)

Which Home Has the Larger Property Tax Bill?



“Exceptional waterfront home located on private 200 ft. shoreline...First level includes master with full bath & 2 additional bedrooms & full bath, eat in kitchen...Lower walkout level offers great family room, 2 large bedrooms with sliders, full bath...Huge lower level screened porch & patio facing lakefront for entertaining, relaxing”



“Charming antique cape with center chimney. Fireplaces in every room on the first floor, 4 in total...Wide pine floors and large rooms. Two bedrooms and 1.5 baths...Lovely yard with mature plantings and access to Exeter River.”



Which Home Has the Larger Property Tax Bill?



Freedom

2020 market price: \$910,000
2020 assessed value: \$869,600

2020 school property tax: **\$5,192**



Brentwood

2021 market price: \$335,000
2020 assessed value: \$278,300

2020 school property tax: **\$5,143**



Agenda

School Funding and Property Taxes

*New Hampshire's Constitutional
Responsibilities*

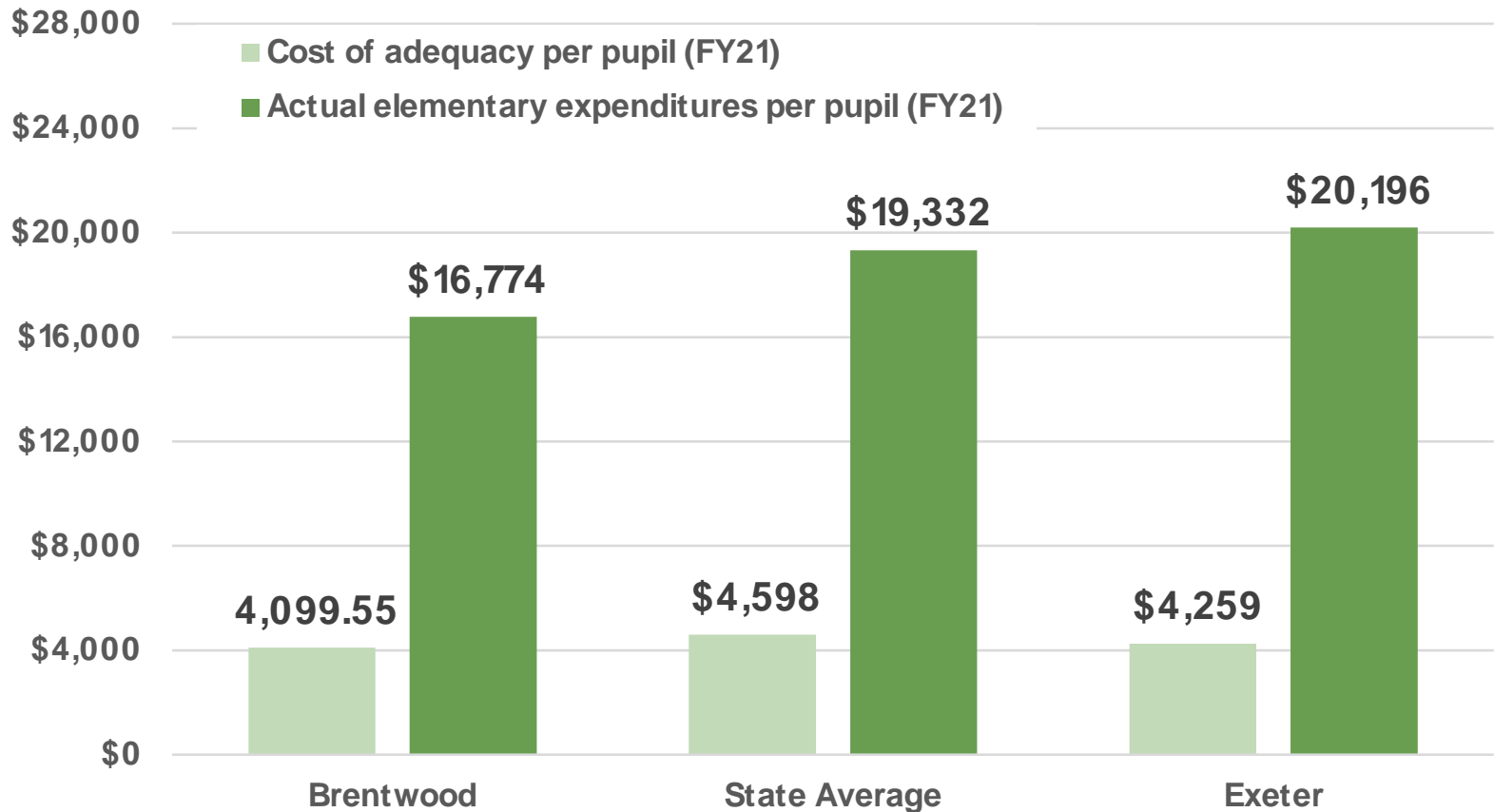
Role of Property Taxes in Funding &
Resulting Inequities

**Enormous Gap Between State Aid &
Actual School Costs**

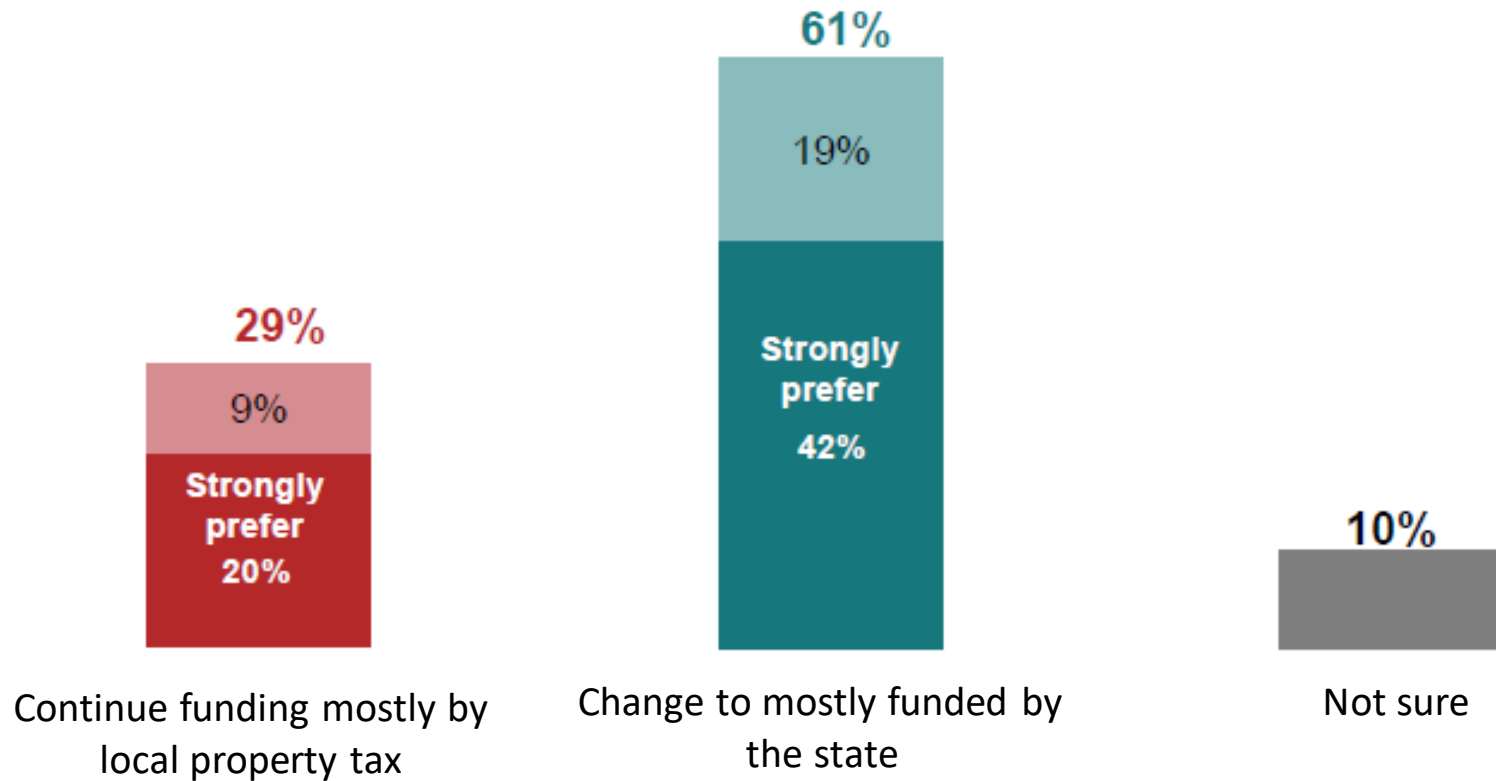
Consequences & Implications of New
Hampshire's Current School Funding
System

Current and Future Steps

Current State Adequacy Grants Fall Well Short of Costs Communities Face in Educating Children



When presented with the gap in state and town funding compared with the state is providing, three in five respondents prefer the state contributing more.



What Does an “Adequate” K-12 Education Cost?

An Example

The State of New Hampshire said that, for Pittsfield’s 581 students, an adequate education should cost **\$2,690,333** or **\$4,630** per student in 2018-19.

The Pittsfield School District budget for 2018-19 was **\$10,302,402** or **\$17,732** per student.

So, let’s pare that budget down.....



So let's pare that budget down...

- Eliminate 5 of the 16 teachers at the elementary school
- Eliminate all art, music, and physical education classes in all grades
- Eliminate all school nurses and any medical support
- Eliminate all regular and special education transportation services
(parents to transport their children to and from school)
- Eliminate one of the two office secretaries at the elementary school
- Eliminate one of the two office secretaries at the middle/high school
- Eliminate teachers for business ed, family & consumer science, and health
- Eliminate one of four science teachers at the middle/high school, thus eliminating some labs and electives
- Eliminate all building and grounds maintenance and repairs
- Eliminate student participation in Concord Regional Technical Center classes
- Eliminate all foreign language courses
- Eliminate both counselor/behavioral professionals and support staff
- Eliminate four of eight custodians: building cleaning only twice per week



So let's pare that budget down...

Eliminate health insurance and other benefits in current teacher contract

Eliminate all field trips

Eliminate all athletic programs: soccer, basketball, softball, and baseball

Eliminate the district reading specialist

Eliminate 34½ paraprofessional positions, including special ed teacher aides

Eliminate purchase of equipment, supplies, books, subscriptions, technology

Eliminate ESOL program (English for speakers of other languages)

Eliminate all substitute teachers, thus requiring students to be dismissed

Eliminate three special education teachers

Eliminate provisions for teacher development courses, workshops

Eliminate mentor teachers who support new teachers

Eliminate all technology personnel, equipment, training, software, etc.

Eliminate consulting specialists such as vision specialists and psychologists

Eliminate travel reimbursement for training events, meetings, home visits, etc.



So let's pare that budget down...

- Eliminate all co-curricular programs (clubs, activities, student council, etc.)
- Eliminate the summer recreation program
- Eliminate all guidance personnel
- Eliminate substance abuse counselor
- Eliminate speech/language, PT, OT, and vision services for special needs students
- Eliminate stipend for teachers' summertime work on innovation and development
- Eliminate stipends for teacher leaders
- Eliminate all librarians and media center staff and close media centers
- Eliminate school board stipends
- Eliminate school board expenses, including lawyers and auditing services
- Reduce time of superintendent to one day per week
- Eliminate all photocopiers and their supplies
- Eliminate maintenance of athletic field
- Eliminate one school principal, leaving only one for both school buildings
- Eliminate all office incidentals: postage, supplies, advertising, etc.



What Does an “Adequate” K-12 Education Cost?

An Example

With the above reductions...

- Most “core” K-12 classrooms are maintained
- Class size averages **29 students/teacher**
- Budget is now **\$5,289,610**

Now cut to the State’s “adequacy” level of **\$2,690,333**

- Nearly everything else has been eliminated, so now eliminate nearly half of the remaining teachers
- Class size averages **60 students/teacher**

How does anyone believe that this will provide an adequate education for Pittsfield’s 581 students?



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Current and Future Steps

Comparing Starting Teacher Salaries

New graduate with a BA, first year salary

District	Salary		District	Salary
Portsmouth	\$44,667		Pittsfield	\$30,452
Hanover	\$45,167		Stratford	\$32,800
Exeter	\$45,462		Allenstown	\$34,331

New graduate with an MA, first year salary

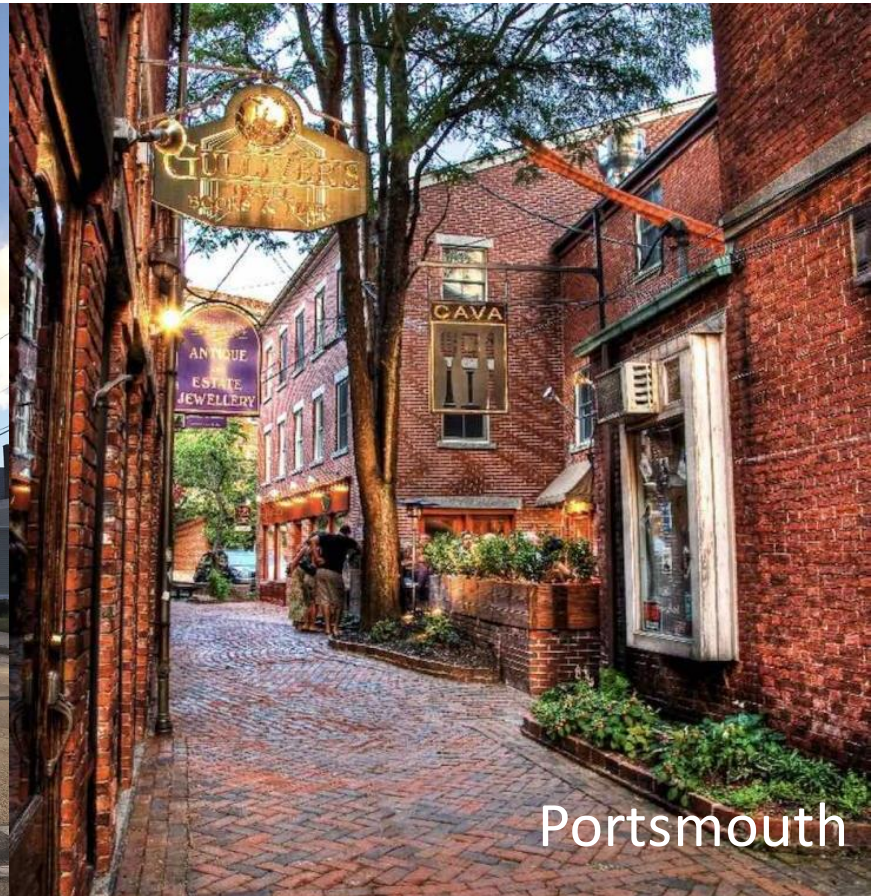
District	Salary		District	Salary
Hanover	\$50,135		Stratford	\$34,300
Lyme	\$51,391		Pittsfield	\$34,323
Stratham	\$51,917		Allenstown	\$39,736

2020-21 School Tax Rate Variations within Pemi-Baker Cooperative School District

	Equalized Value Per Pupil	Combined Education Tax Rate	Tax on \$300,000 Home
Plymouth	\$942,652	\$13.69	\$4,107
Campton	\$1,122,326	\$15.25	\$4,575
Holderness	\$4,754,006	\$6.90	\$2,070
Waterville Valley	\$5,469,546	\$3.33	\$999



Current System Impedes Economic Development in Property-Poor Towns



Agenda

School Funding and Property Taxes

New Hampshire's Constitutional Responsibilities

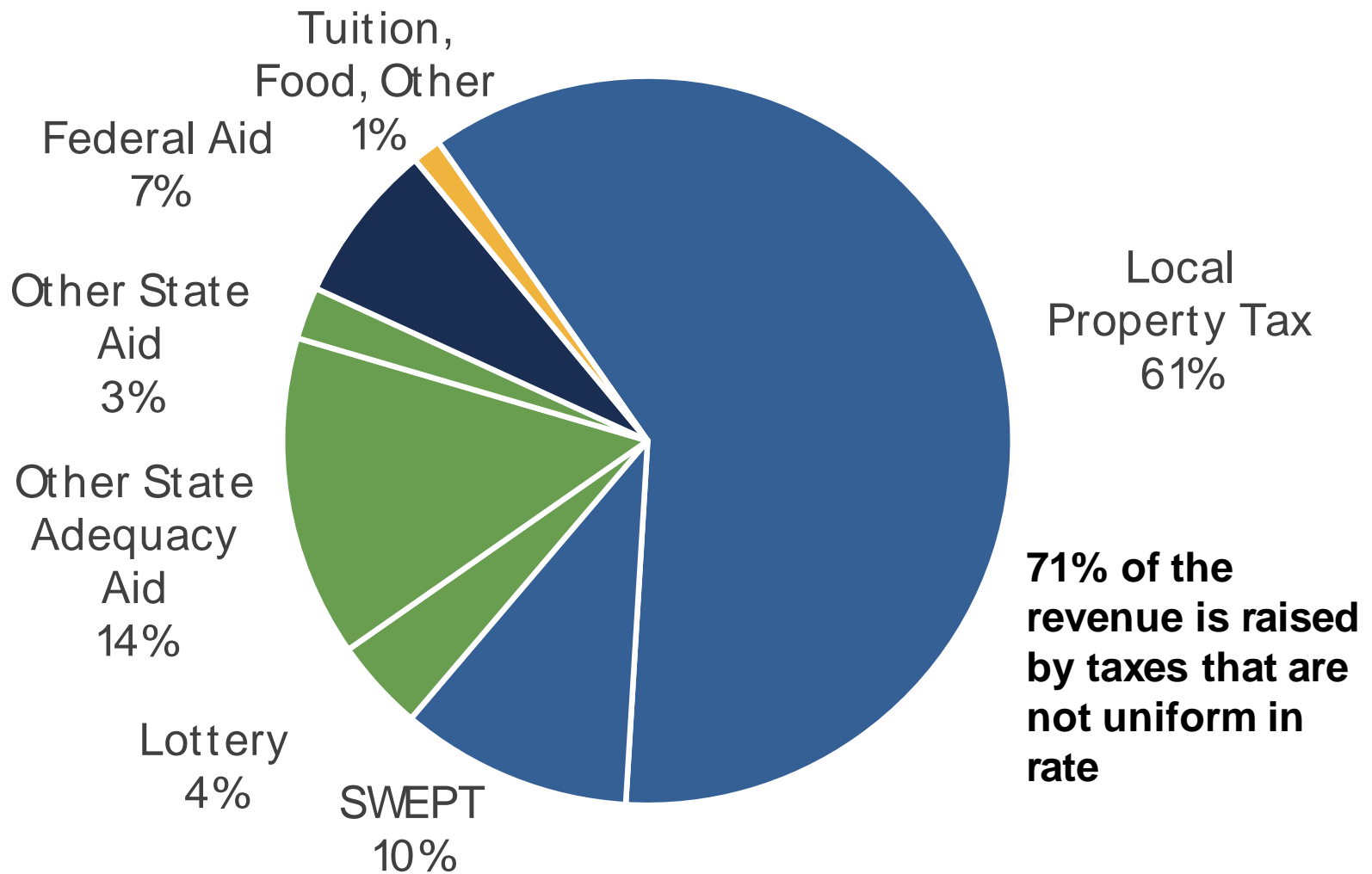
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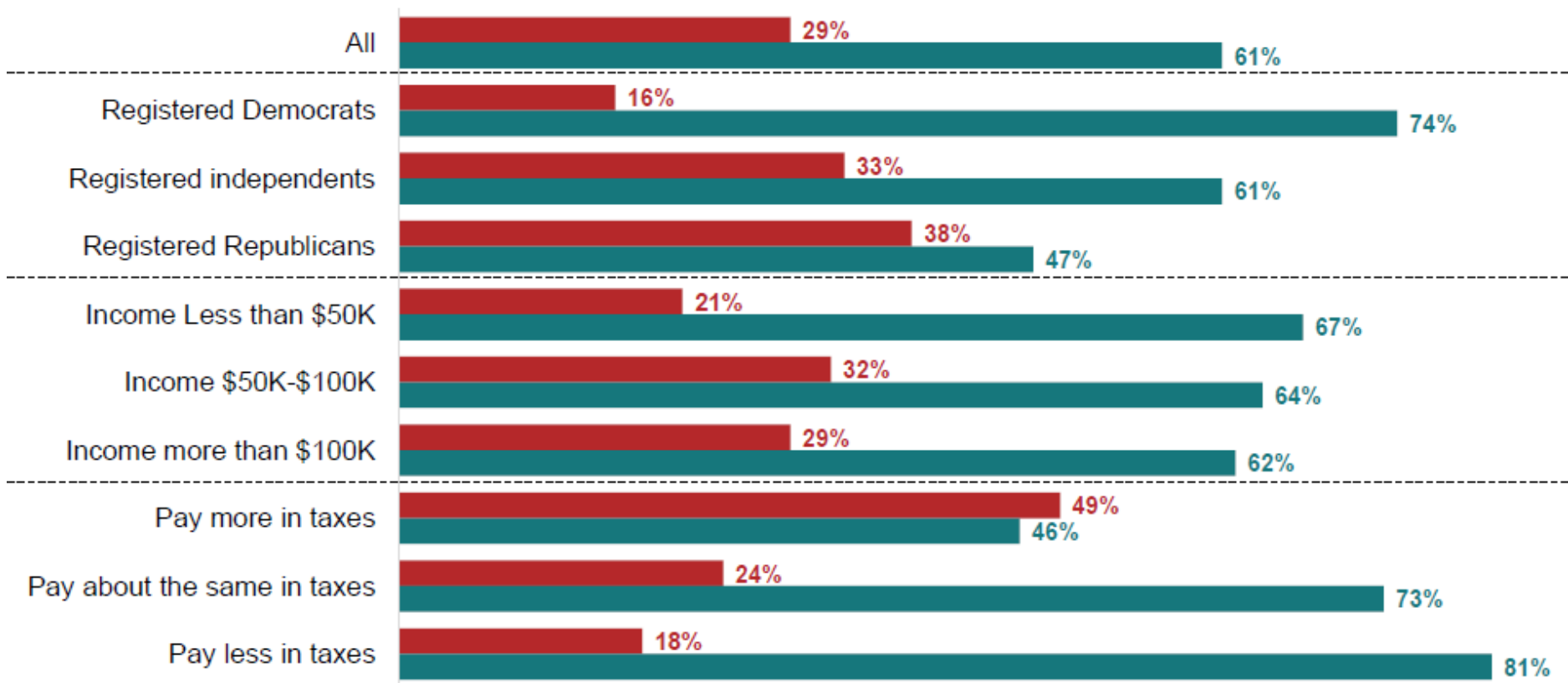
Current and Future Steps

The Problem Lies with the Blue Portion of the Pie



Respondents across party and income lines prefer changing to a system where the state pays more. Even those who believe they will pay more in taxes are divided.

■ Continue funded mostly by local property tax ■ Change to statewide funding source



The Heart of the Problem

The State of New Hampshire
has shifted
public school funding
onto local
property taxpayers.





The Heart of the *Solution*

Shift responsibility
for providing
an adequate education
back to where the
Constitution says
it belongs:
the State of
New Hampshire



AIR Report: Clear Diagnosis of the Problem

“The state’s current 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.”

Equity and Adequacy of New Hampshire School Funding
American Institutes for Research, August 2020





Multiple Approaches Available for Generating Additional State Revenue

- **Restore prior levels / forms of taxation**
 - Return business tax rates to 2015 levels
 - Forestall elimination of the I&D tax
 - Reinstate estate/inheritance taxation
- **Extend current use of wealth taxation**
 - Institute a tax on capital gains
 - Establish a financial transactions tax
- **A true statewide property tax of \$10.24 per thousand**
- **Income tax**
- **Sales tax**

School Funding and Property Taxes

Summary

- Taxpayers and students are not treated equitably or fairly.
- The state is downshifting about \$2.3 billion dollars per year to communities.
- The problem is getting worse.
- The current system is unconstitutional.
- The solution lies with state level lawmakers.

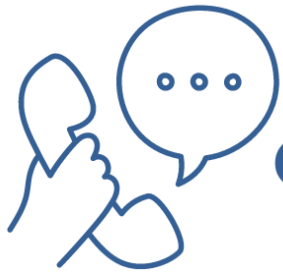


A Final Thought

New Hampshire students' educational opportunities and property owners' school tax rates should not depend on their zip codes.



Help Take Action



Get answers from Candidates running for Office



Share your story



Write a Letter to the Editor

Sign up for our newsletter



Share on social media

Keep Learning





NH SCHOOL
**Funding Fairness
Project**

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@NHSchoolFundingFairness
Facebook

@fairfunding_nh *Instagram*

603-496-5552

**THANK
YOU!**



A photograph of a classroom where several students have their hands raised, indicating they want to ask a question or answer. The focus is on the hands in the foreground, with the students and a chalkboard in the background being blurred. A dark blue rectangular overlay is positioned on the left side of the image.

QUESTIONS?

Calculation of State Education Aid for Select Districts – FY22

Note: Per FY22-23 budget, student counts based on higher of 2019-20 or 2020-21 figures;
3rd grade reading uses 2018-19 figures as base for comparison

City/ Town	Base	Supplements				Cost of “Adequate Education”
	Each Pupil	Low Income	Special Ed.	English Languag e Learner	3 rd Grade Read.	
	\$3,787	\$1,893	\$2,037	\$740	\$740	
Chichester	316	54	54	3	7	\$1,417,143
Berlin	1,014	601	237	2	15	\$5,474,249
Claremont	1,648	799	335	8	23	\$8,459,786
Concord	4,031	1,470	689	269	64	\$19,696,462
Dover	3,497	949	726	103	39	\$17,514,631
Hopkinton	959	73	167	3	16	\$4,123,765
Nashua	10,774	4,652	1,848	1,179	123	\$54,333,672
Pittsfield	560	260	135	3	12	\$2,896,797



Calculation of State Education Aid for Select Districts – FY22

For 2021-22 School Year Two Additional Aid Types Have Been Added

City/ Town	State Cash for Adequacy	Aid Beyond Adequacy		Total Cash	Total Including SWEPT
		Stabilization Aid	“Relief Aid”		
Chichester	\$801,991	\$115,615	\$10,198	\$927,804	\$1,542,956
Berlin	\$4,828,899	\$5,495,595	\$320,947	\$10,645,441	\$11,290,791
Claremont	\$7,100,172	\$6,282,807	\$427,042	\$13,810,021	\$15,169,635
Concord	\$12,388,078	\$1,794,128	\$596,588	\$14,778,794	\$22,087,178
Dover	\$10,420,989	\$0	\$329,704	\$10,750,693	\$17,844,335
Hopkinton	\$2,689,160	\$0	\$0	\$2,689,160	\$4,123,765
Nashua	\$33,347,150	\$4,793,937	\$2,234,597	\$40,375,684	\$61,362,206
Pittsfield	\$2,321,764	\$2,185,277	\$134,247	\$4,641,288	\$5,216,321



Calculation of State Education Aid for Select Districts – FY22

City/ Town	Base	Supplements				Cost of “Adequate Education”
	Each Pupil	Low Income	Special Ed.	English Langua	3 rd Grade	
	\$3,787	\$1,893	\$2,037	\$740	\$740	
Croydon	83	50	14.393	-	1	\$392,081

Note: Per FY22-23 budget, student counts based on higher of 2019-20 or 2020-21 figures; 3rd grade reading uses 2018-19 figures as base for comparison

Croydon

For 2021-22 School Year Two Additional Aid Types Have Been Added

City/ Town	SWEPT	State Cash for Adequacy	Aid Beyond Adequacy		Total Cash	Total Including SWEPT
			Stabilization Aid	“Relief Aid”		
Croydon	\$177,205	\$214,876	\$190,872	\$7,588	\$413,336	\$590,541



Commission to Study School Funding

Distribution of Education Aid

- AIR's education cost model (ECM) seeks to distribute nearly the entire sum of state and local education spending (~\$2.9B @ 2018)
- ECM aims to distribute aid to enable every district to achieve statewide average **outcomes** across three measures: assessment scores, graduation rates, and attendance rates.
- ECM identifies the key factors that affect those outcomes and assigns “weights” to those factors to distribute funding (such as free & reduced price meal eligibility, special education needs, and size of enrollment)



Commission to Study School Funding

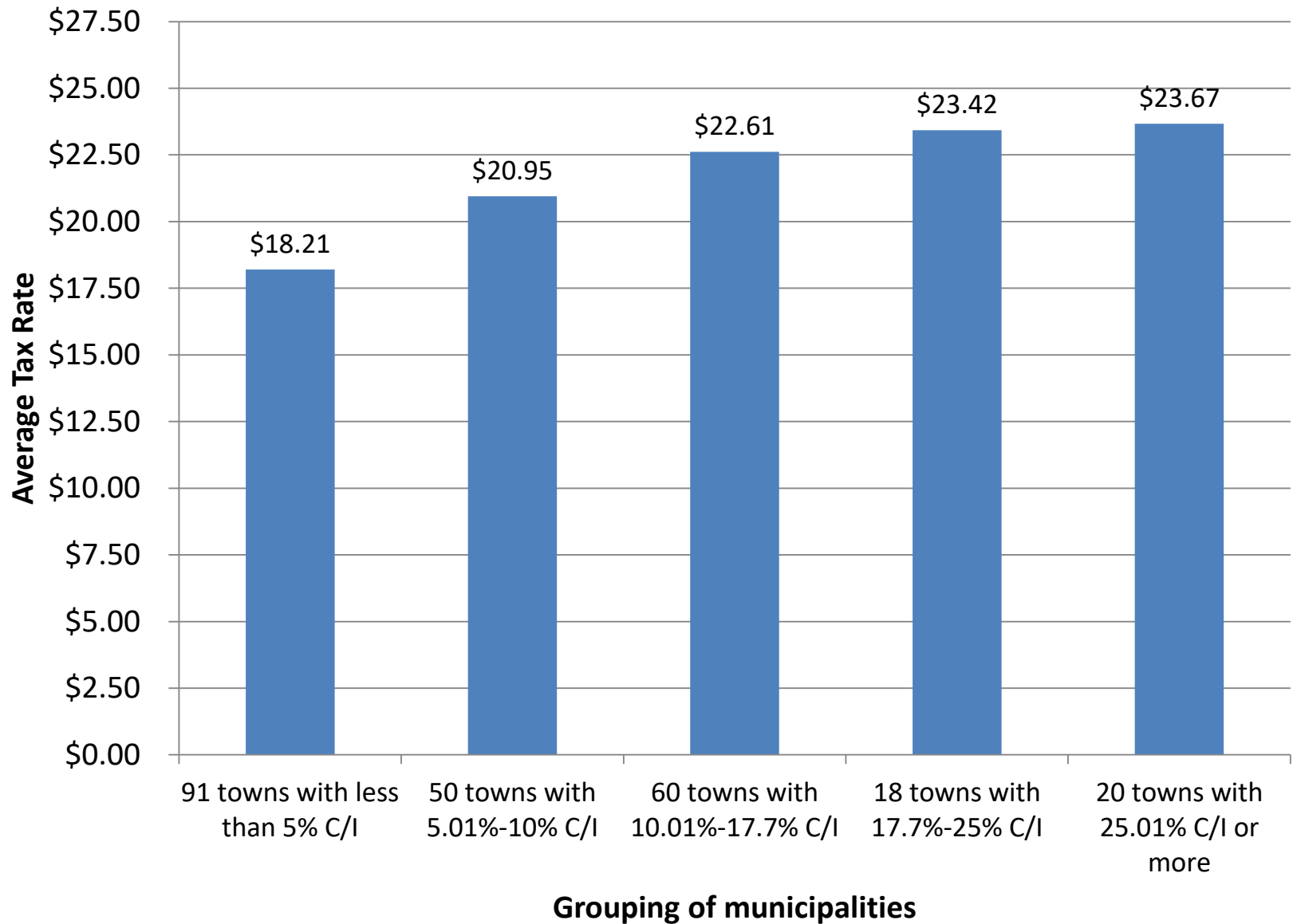
Revenue Generation

- Maintain existing state revenue sources flowing to Education Trust Fund
 - Examples: portion of BPT & BET, M&R, RETT, et. al.
 - Approximately \$600 million annually
- Fund remaining \$2.35 billion through either:
 - Single statewide property tax @ rate of \$12.04 OR
 - Single statewide property tax @ rate of \$7.24 plus “minimum local contribution” of \$5.00

Additional funds flowing into Education Trust Fund would mean lower statewide property tax rates



2017 Average Tax Rates by % of Commercial/Industrial Property



New Hampshire's Constitutional Responsibilities

The Legislature Has Great Discretion about How to Raise Revenue

“Decisions concerning the raising and disposition of public revenues are particularly a legislative function and the legislature has wide latitude in choosing the means by which public education is to be supported... The legislature has numerous sources of expertise upon which it can draw in addressing educational financing and adequacy, including the experience of other States that have faced and resolved similar issues.”

Claremont II, 142 N.H. at 476



Pandemic Impacts Vary Significantly from Place to Place

Estimated changes in ADMA and ADMA-FRPL in select NH communities

	ADMA		CHANGE	
	19-20	20-21	#	%
Randolph	24	15	-9	-38.7%
Shelburne	31	20	-11	-35.9%
Lyme	277	269	-8	-2.9%
Nashua	10,774	10,112	-663	-6.1%
Manchester	12,716	12,082	-634	-5.0%
Wilton	414	441	27	6.5%
W'ville Valley	20	62	42	204.8%

	ADMA-FRPL		CHANGE	
	19-20	20-21	#	%
Shelburne	8	1	-7	-85.7%
Kensington	31	10	-21	-67.8%
Lyme	27	15	-12	-44.8%
Nashua	4,652	3,179	-1,473	-31.7%
Manchester	7,532	5,205	-2,327	-30.9%
Dorchester	15	21	5	35.7%
Orford	27	43	16	60.7%



New Hampshire's Constitutional Responsibilities

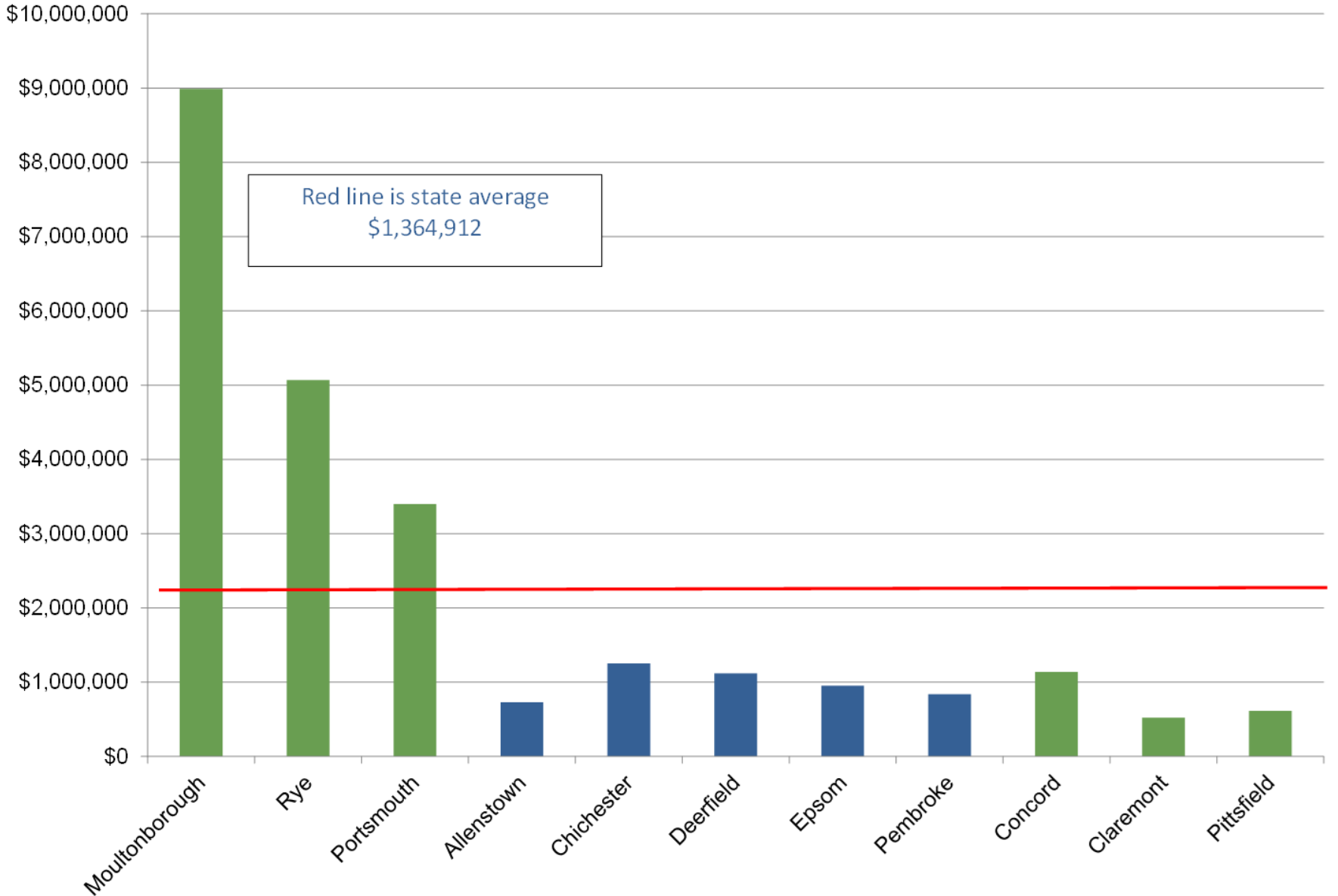
The Resources Needed to Achieve Adequacy May Differ from District to District

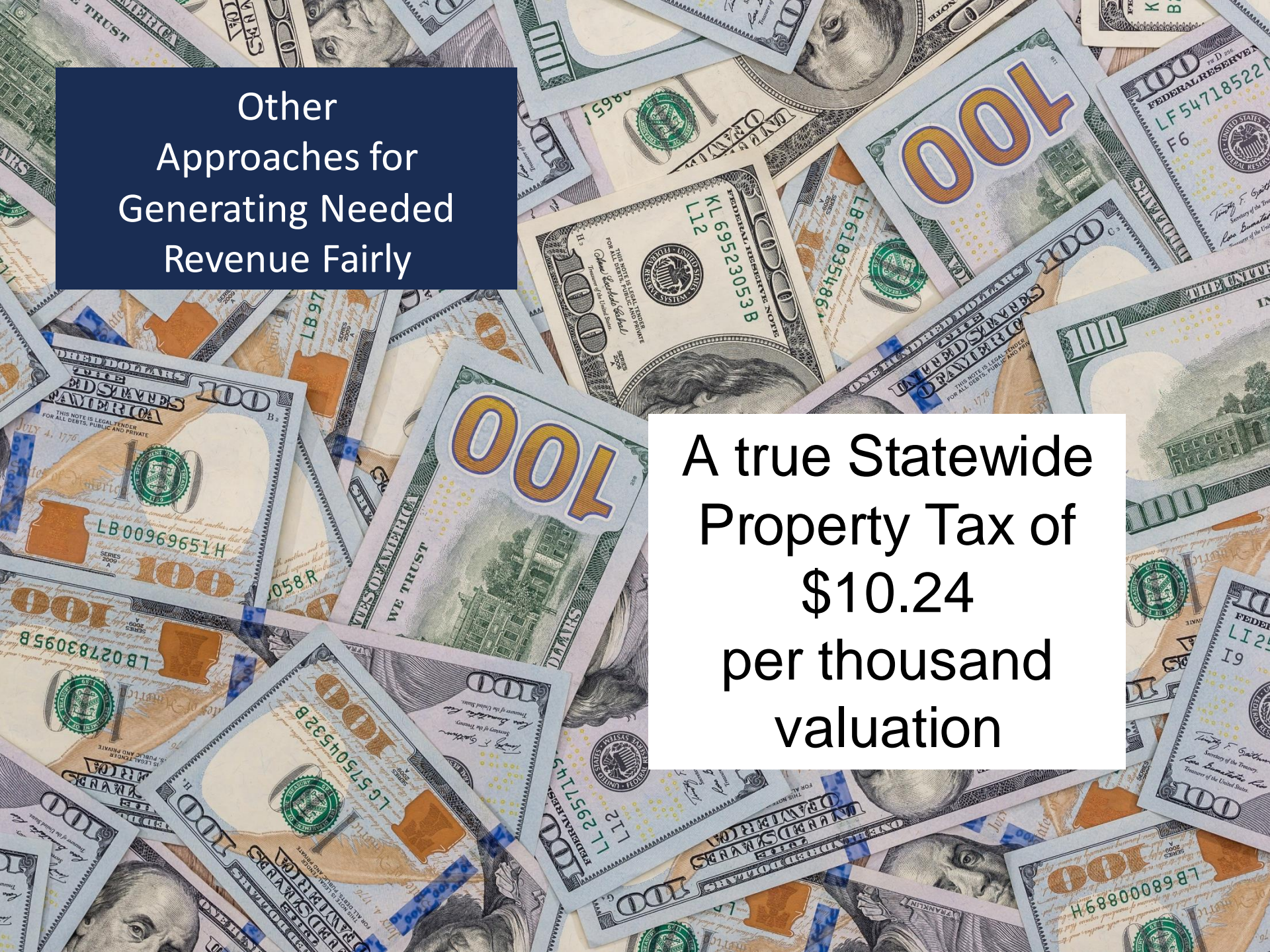
“We emphasize that the fundamental right at issue is the right to a State funded constitutional adequate education. It is not the right to horizontal resource replication from school to school and district to district.”

Claremont II, 142 N.H. at 473-474




Equalized Property Value per Pupil 2020-21



A collage of US one hundred dollar bills, showing various serial numbers and the portrait of Benjamin Franklin. The bills are scattered and overlapping, creating a dense background of currency.

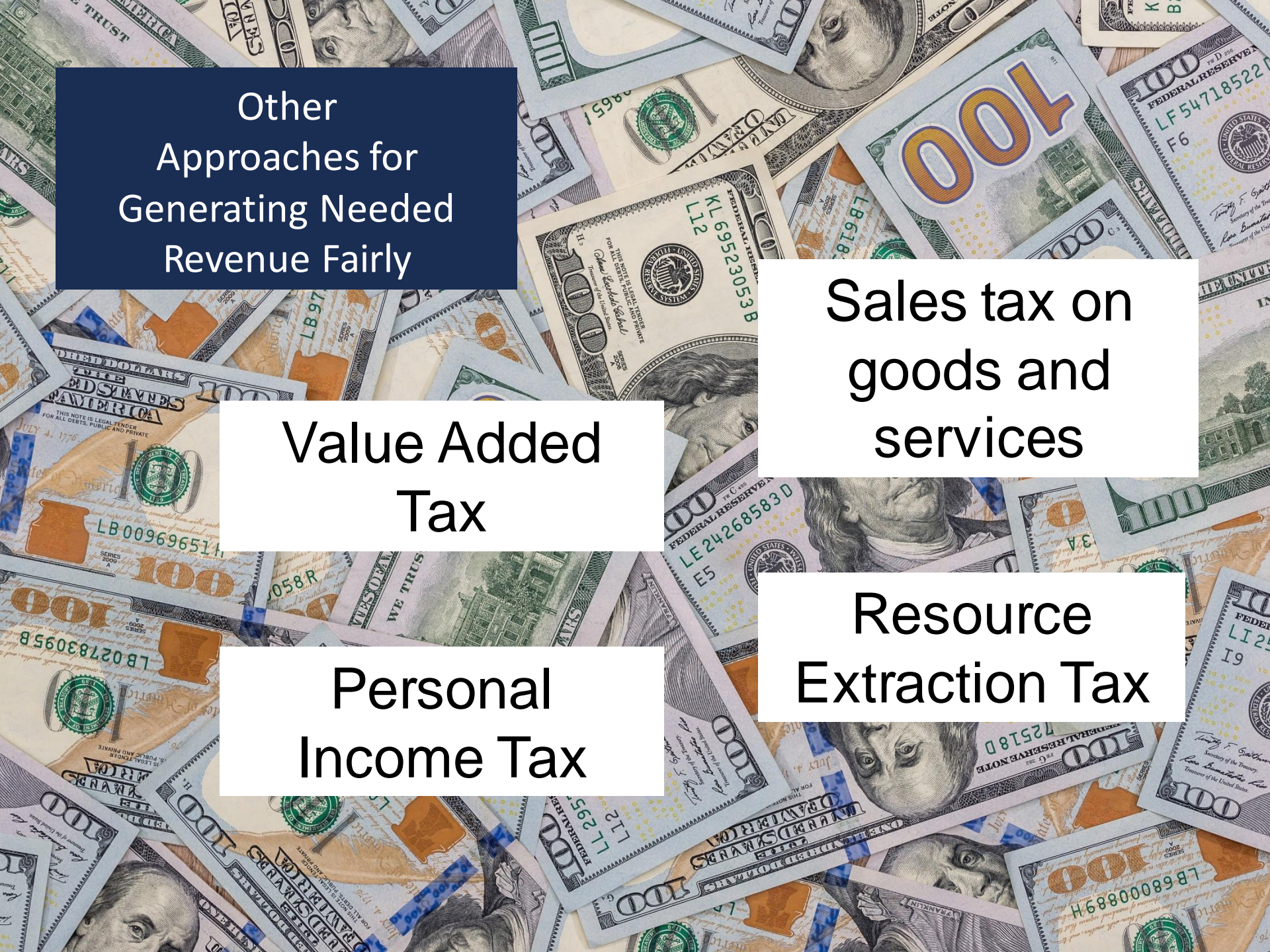
Other
Approaches for
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A true Statewide
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Other Approaches for Generating Needed Revenue Fairly

- **Restore prior levels / forms of taxation**
 - Return business tax rates to 2015 levels
 - Forestall elimination of the I&D tax
 - Reinstate estate/inheritance taxation abolished in 2003
- **Extend current use of wealth taxation**
 - Institute a tax on capital gains
 - Establish a financial transactions tax

The background of the entire image is a dense, overlapping collage of US dollar bills, primarily \$100 bills, in various orientations and colors (green, orange, blue). The bills are scattered across the frame, creating a textured, financial backdrop.

Other
Approaches for
Generating Needed
Revenue Fairly

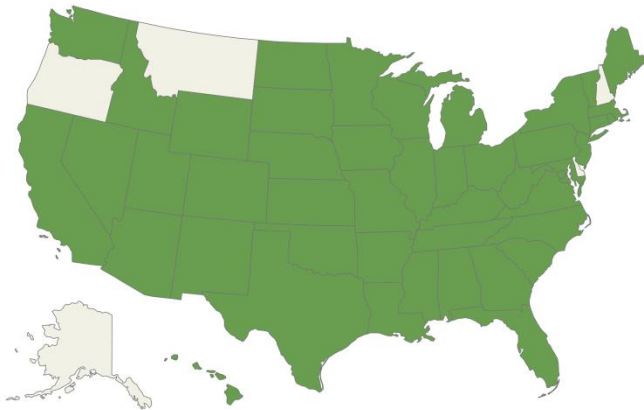
Value Added
Tax

Personal
Income Tax

Sales tax on
goods and
services

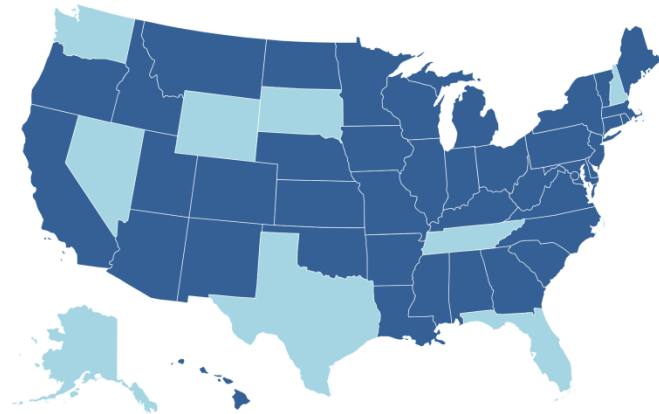
Resource
Extraction Tax

Multiple Approaches Available for Generating Additional State Revenue



Sales
Taxes

FY 20 Revenue in \$B	
Vermont	0.43
Rhode Island	1.16
Maine	1.67
New Hampshire	-
Connecticut	4.58
Massachusetts	6.82



Income
Taxes

FY 20 Revenue in \$B	
Vermont	0.76
Rhode Island	1.24
Maine	1.84
New Hampshire	0.12
Connecticut	8.18
Massachusetts	17.41



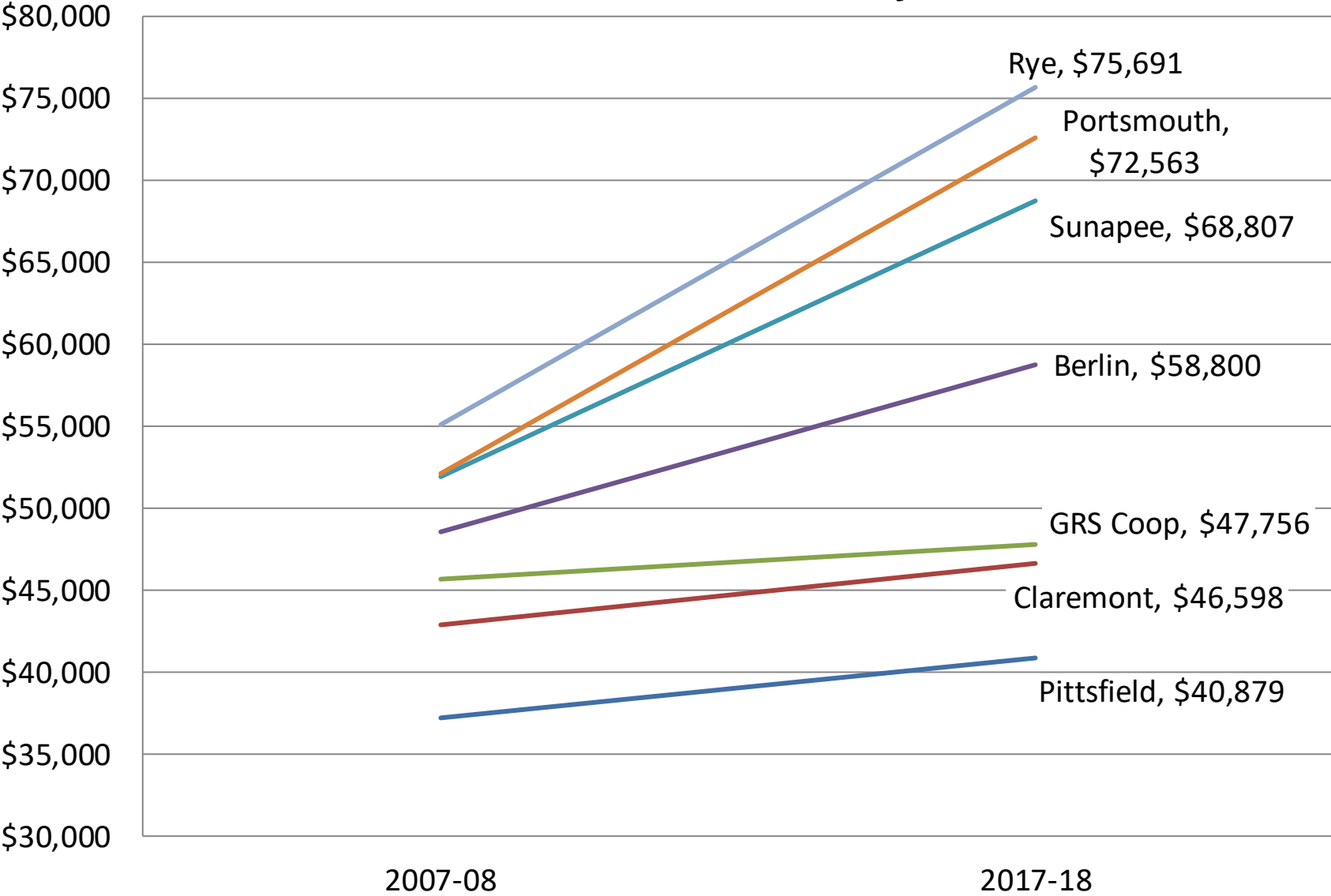
A Possible Lawsuit by Taxpayers?

- The Constitution requires that taxes for State purposes be equal in rate for all taxpayers. The requirement is being ignored.
- Property taxpayers in Marlboro are paying \$20.80 equalized tax rate for schools while those in Bridgewater are paying \$3.65 and those in Chichester are paying \$13.21.



Average Teacher Salaries in Selected Districts

2007/08 & 2017/18 school years



So, What's Next?



Over the next few months our Get on the Bus tour will bring us to 25 communities...



where we will educate citizens like you to understand the inequities baked into our school funding system and empower you to take action...



by talking to your neighbors and reaching out to elected officials and candidates to encourage them to prioritize fair and equitable funding for our schools!



The Size of the Needed Reform

- In a recent poll 61% of residents support shifting much of the burden to the State.
- We estimate that \$2.3 billion of the \$3.5 billion being spent on our schools, needs to be raised in a different way.
- We will be identifying a menu of options in coming months.



New Hampshire's Constitutional Responsibilities

Four School Funding Duties

Throughout the past three decades, the Supreme Court has identified four core obligations that the Legislature and the State must meet:

- Define an adequate education;
- Determine its cost;
- Fund it with constitutional taxes; and
- Ensure its delivery through accountability.

Londonderry School District v. State of NH, 154 N.H. 153, 155-56 (2006)



New Hampshire's Constitutional Responsibilities

The First School Law Under the NH Constitution 1789

"the Select men of the Several towns & Parishes within the State be, and they hereby are, impowered and **required** to assess annually the Inhabitants of their respective towns, according to [a formula established by the legislature for] the sole purpose of keeping an English Grammar School or Schools..."

Any selectmen who failed to raise the legislatively mandated funds by taxation "shall forfeit and pay the full sum, which they shall be so found delinquent in assessing ... **which sum shall be paid out of the goods and estate of such Select men.**"



Summary - School Funding in New Hampshire

- New Hampshire's school funding system is plagued by two injustices: deep and enduring inequities in educational opportunity and enormous differences in the property taxes we pay as residents and business owners.
- These injustices arise from the same source. New Hampshire has failed to meet its fundamental responsibility to provide an adequate education to every child in the Granite State and, instead, shifts \$2.3 billion in costs down onto local taxpayers each year.
- To address these injustices, we must return responsibility to where it belongs: the State of New Hampshire.
- Numerous options are available for generating the \$2.3 billion needed for New Hampshire to meet its fundamental responsibility.

You can help us help Granite Staters
understand the problem – and possible solutions.

