

NH SCHOOL

# Funding Fairness Project

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

***Zack Sheehan, Executive Director***

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# School Funding and Property Taxes

## Overview

- Taxpayers and students are not treated equitably or fairly
- The problem is getting worse
- How adequacy aid is calculated
- Additional aid categories
- Consequences of this system



# 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

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## **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.



# 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. Next hearing is scheduled to start in April.
- 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. Hearing is scheduled for October.



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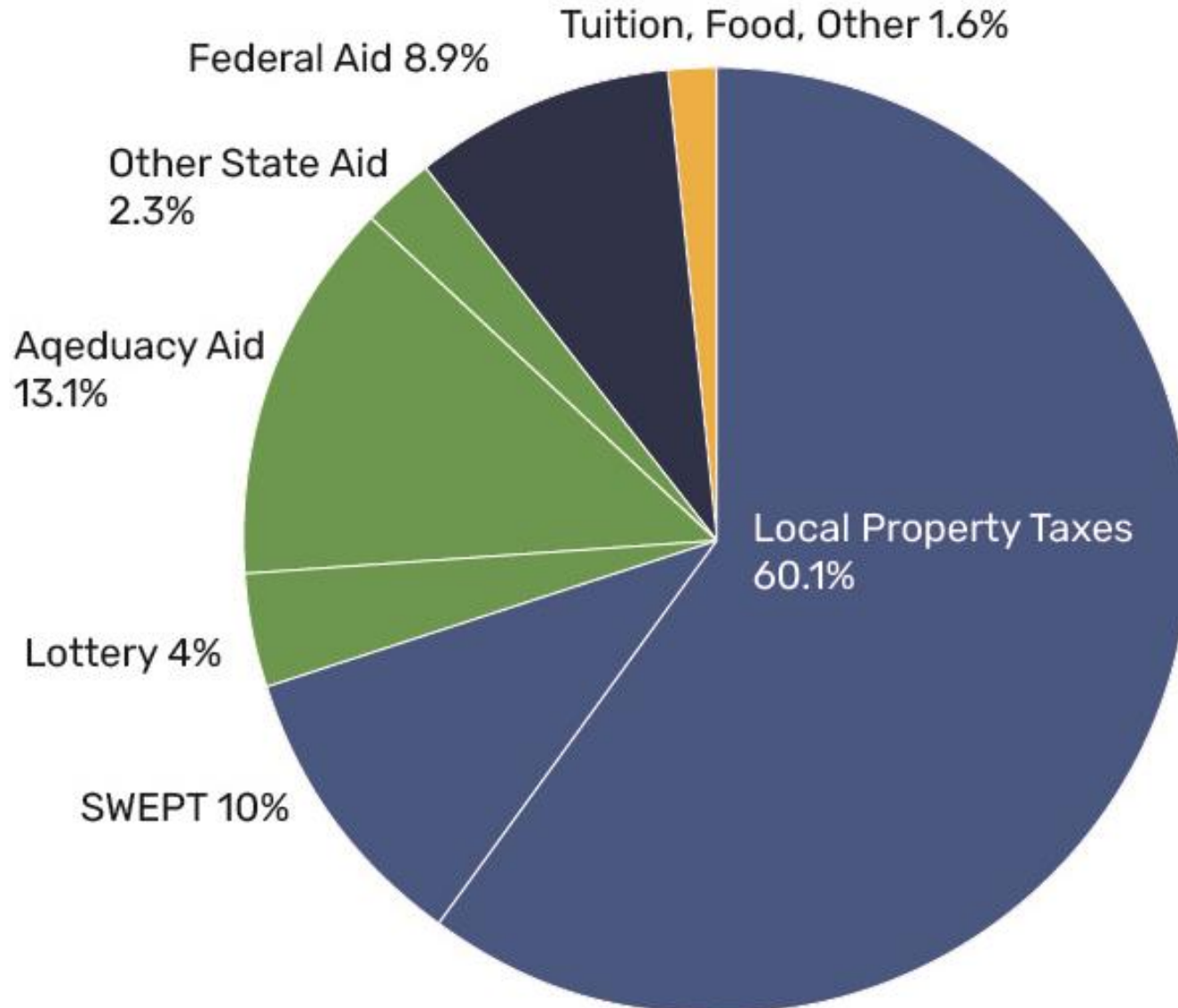
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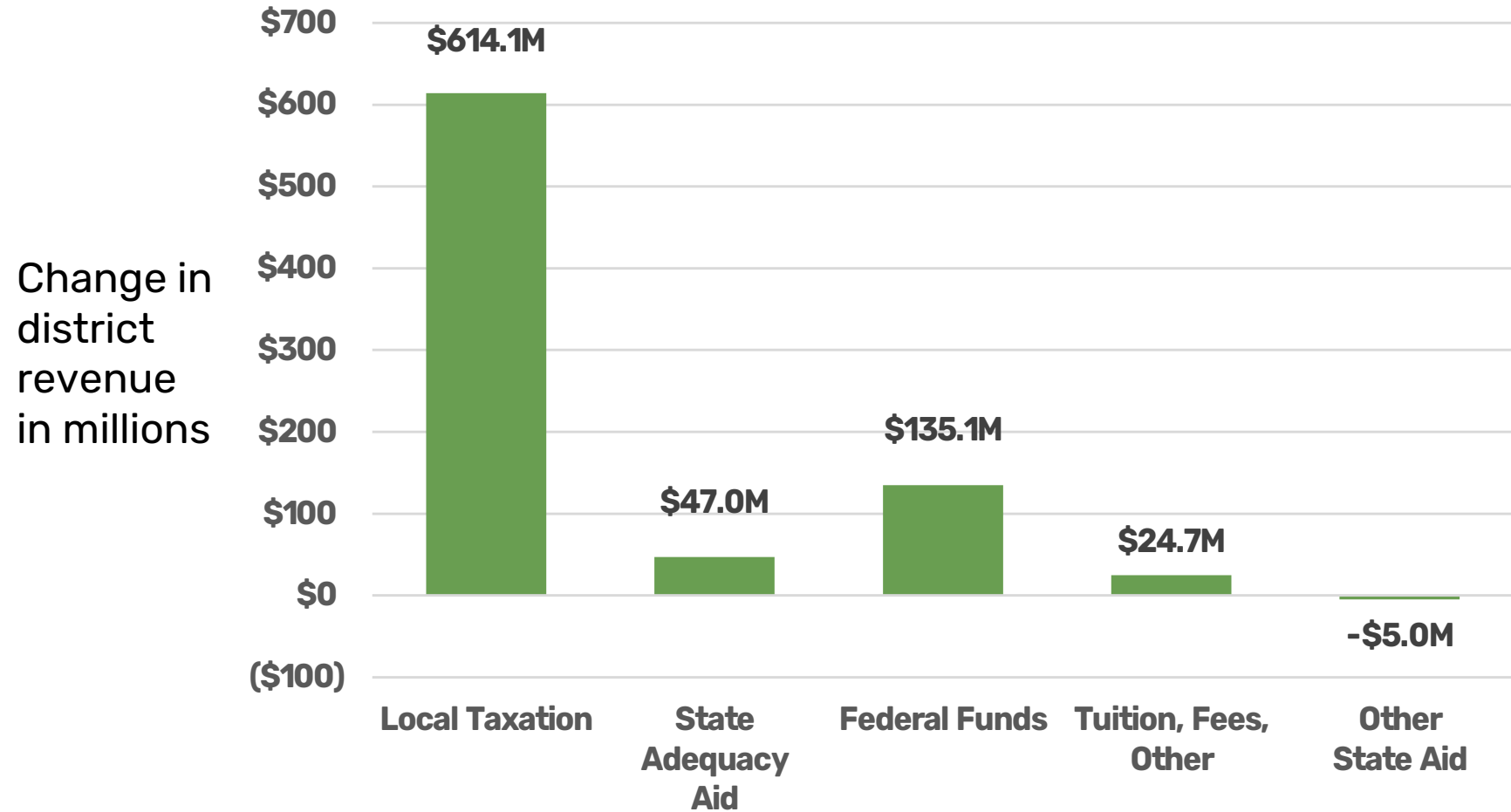
# NH Relies Overwhelmingly on Local Property Taxes to Fund Public Education

*2021-2022 Revenue of NH School Districts - \$3.64 billion*



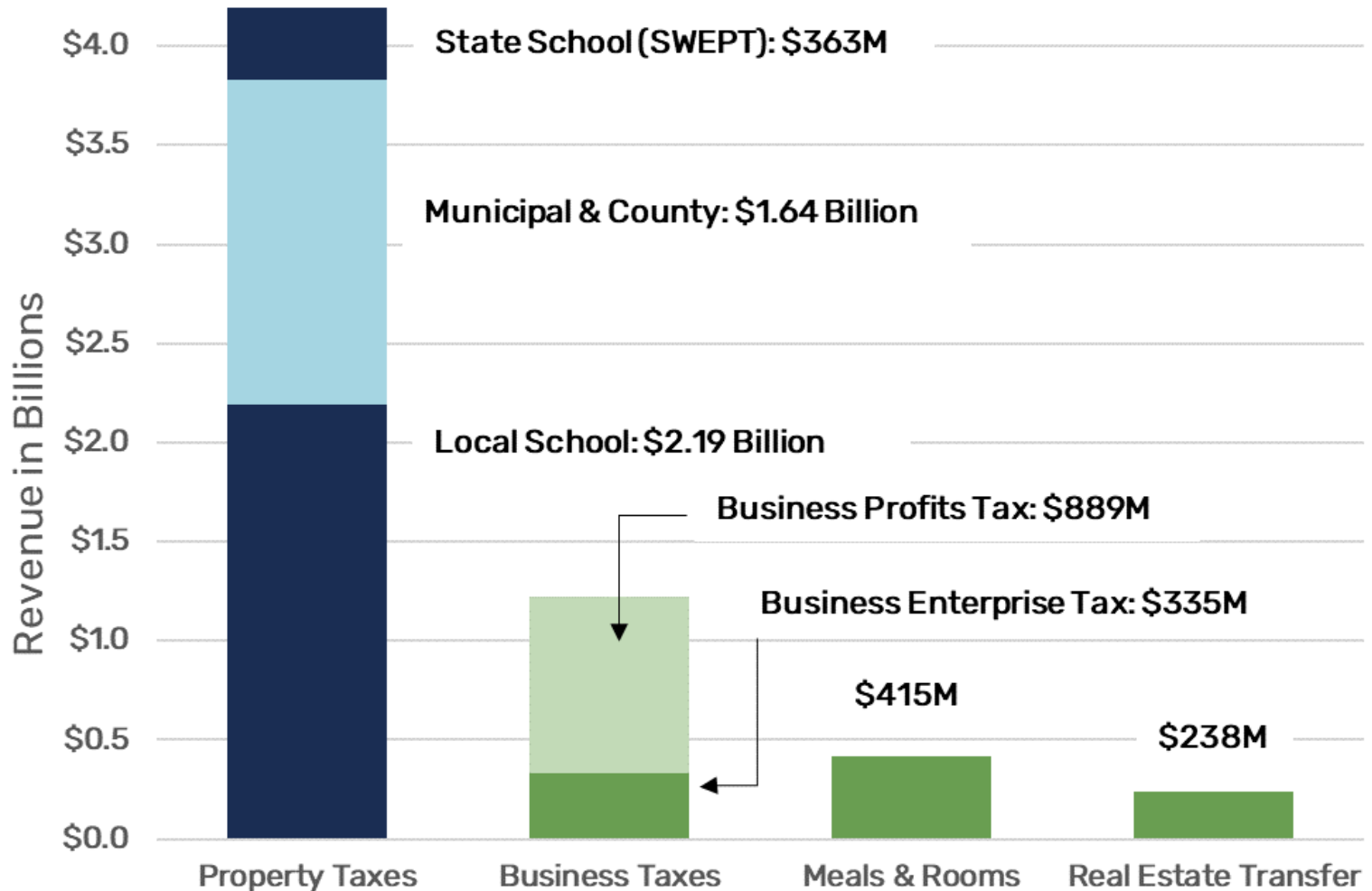
# Reliance On Local Property Taxes Has Grown Over Time

## *Change in School District Revenue, 2012– 2022*



# The Property Tax is the Largest Tax in NH

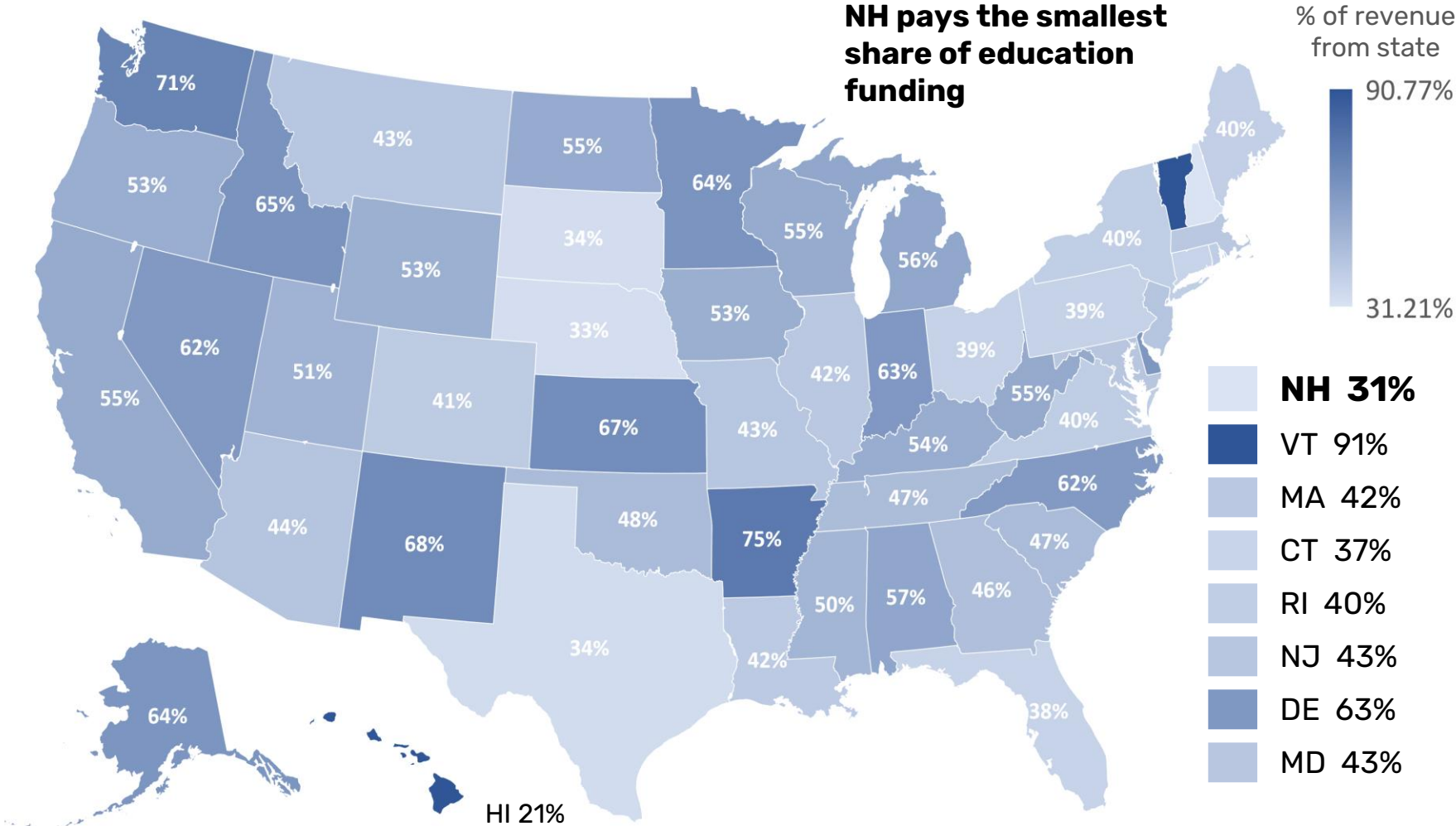
*Tax revenue by source, 2022 (all figures in \$million)*





# State's Share of School Funding in New Hampshire is the Smallest in the Country

*Percent of school revenue from state sources, FY 2020*



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## 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.**

<b>Property Value</b>	<b>Tax Rate (Per Thousand)</b>	<b>Revenue Raised</b>
\$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	<b>\$25.00</b>	\$10,000



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## 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.**

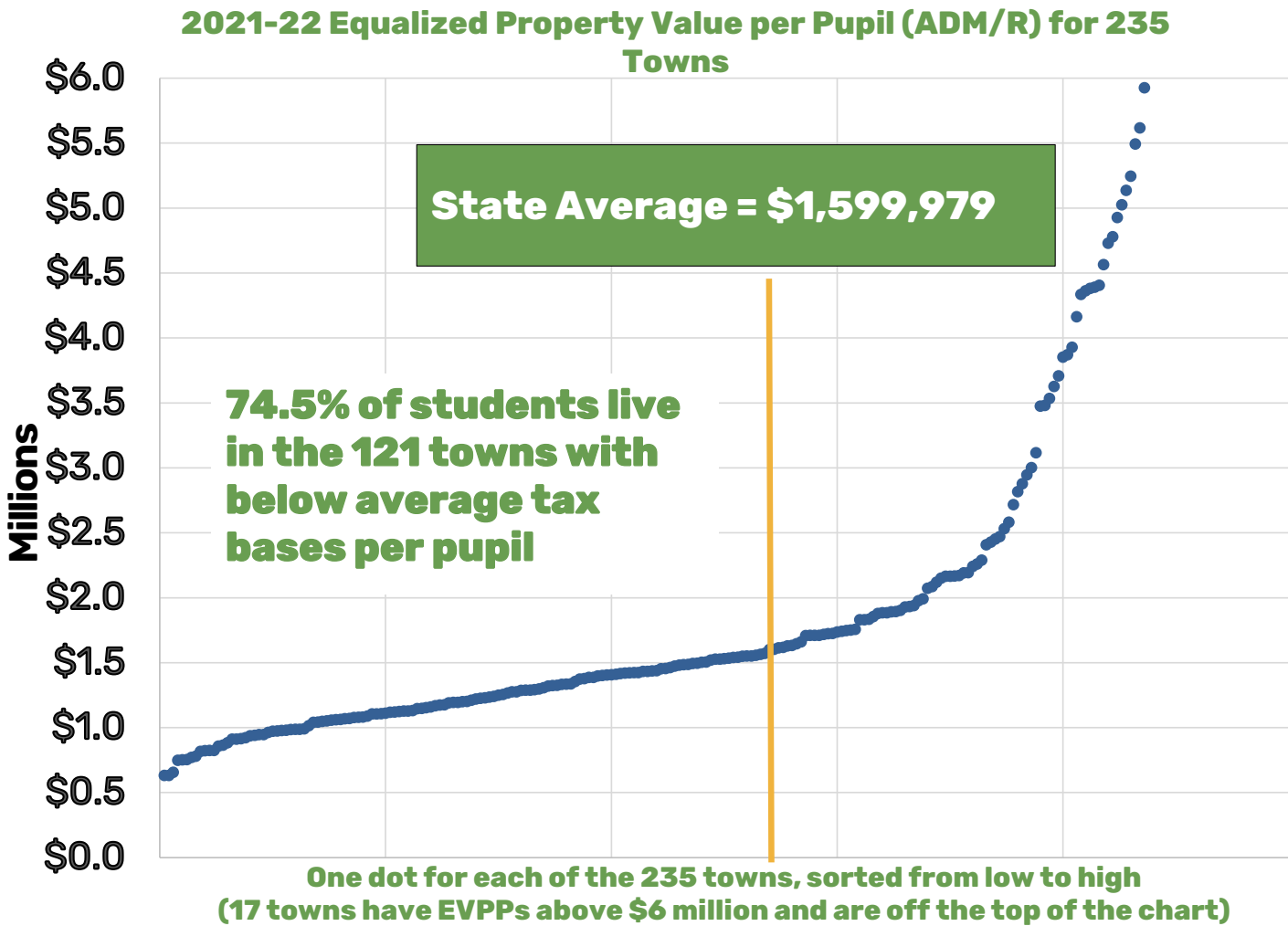


# Role of Property Taxes & Resulting Inequities

*Equalized Valuation and Tax Rates for Select NH Schools, 2021-22*

Town	Pupils	Equalized Value Per Pupil	Equalized School Tax Rate	Amount Raised Per Pupil
<b>New Hampshire</b>	<b>165,039</b>	<b>\$1,599,979</b>	<b>9.74</b>	<b>\$15,584</b>
Portsmouth	2,120	\$3,852,473	5.58	\$21,497
Milford	2,093	\$1,051,210	14.16	\$14,885
Bow	1,469	\$1,088,414	12.72	\$13,845
Claremont	1,627	\$1,139,543	13.81	\$15,737
Newport	752	\$857,358	12.35	\$10,588
Brentwood	679	\$1,335,846	13.81	\$18,448
New London	346	\$4,927,438	8.92	\$43,953
Bristol	364	\$2,168,059	7.3	\$15,827

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



# 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**



# Which Home Has the Larger Property Tax Bill?



**Monroe**

**2021 market price:** \$380,000  
**2020 assessed value:** \$204,800

**2020 school property tax:** **\$1,751**



**Littleton**

**2021 market price:** \$205,000  
**2020 assessed value:** \$121,700

**2020 school property tax:** **\$1,746**



# Which Home Has the Larger Property Tax Bill?



## Bristol

**2020 market price:** \$286,000  
**2020 assessed value:** \$205,400

**2020 school property tax** **\$2,237**



## Canaan

**2021 market price:** \$151,000  
**2020 assessed value:** \$94,700

**2020 school property tax:** **\$2,361**



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# How Adequacy Aid is Calculated

Every student receives **\$3,786.66** in “Base Adequacy”

**+ \$1,893.32** for each student eligible for free or reduced-priced lunch

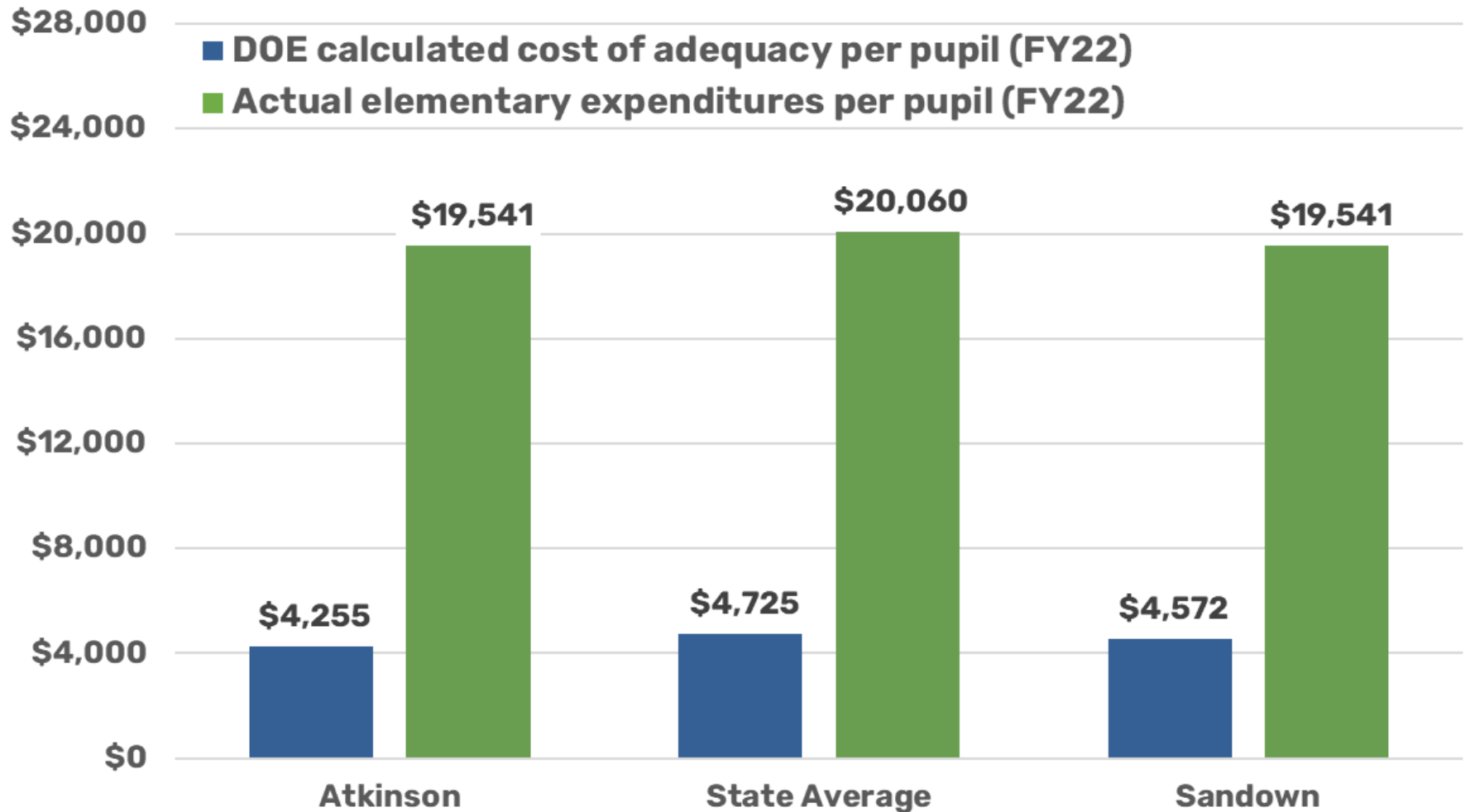
**+ \$740.87** for each student who is an English Language Learner

**+ \$2,037.11** for each student receiving special education services

**+ \$740.87** for each 3<sup>rd</sup> grader who is below proficient in reading  
(who is not already in another category)

**= \$4,725 per student on average**

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



# 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?***



# Grant Calculations Continued

**\$4,725**

per student on average for “Calculated Cost of an Adequate Education”

**+ Additional Aid**

currently includes Relief & Extraordinary

**- SWEPT**

Statewide Education Property Tax. Raised and retained locally, but the state takes credit.

**+ Stabilization Aid**

Enacted in 2012 to reduce impact of funding formula changes. Set at a static \$158 million per year.

**= Adequacy Grant**



## Example Using Concord SFY 2022

<b>\$19,685,597</b>	Total “Calculated Cost of an Adequate Education”
<b>+ \$596,690</b>	In Relief Aid Grants
<b>- \$7,308,384</b>	amount raised by SWEPT
<b>= \$12,973,903</b>	“Preliminary Grant”
<b>+ \$1,794,128</b>	in Stabilization Aid
<b>= \$14,768,031</b>	<b>“Final Grant”</b>



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# Comparing Starting Teacher Salaries

School	BA Level 1 Teacher Salary	School	MA Level 1 Teacher Salary
Dover	\$38,350	Dover	\$42,155
Manchester	\$39,250	Manchester	\$43,720
Timberlane Regional	\$39,960	Timberlane Regional	\$44,395
Laconia	\$43,073	Laconia	\$46,173
Nashua	\$44,200	Nashua	\$47,700
Portsmouth	\$47,847	Exeter	\$54,552
Exeter	\$47,936	Portsmouth	\$55,301

*Reaching Higher NH: Strategies for Recruiting and Retaining High-Quality Teachers. Teacher Compensation in New Hampshire, 2021-2022*



## ***2021-22 School Tax Rate Variations: Timberlane Regional School District***

	<b>Equalized Value Per Pupil</b>	<b>Combined Education Tax Rate</b>	<b>Tax on \$300,000 Home</b>
Atkinson	\$2,170,378	9.46	\$2,838
Danville	\$1,069,408	14.01	\$4,203
Plaistow	\$1,455,398	12.72	\$3,816
Sandown	\$1,063,297	15.63	\$4,689



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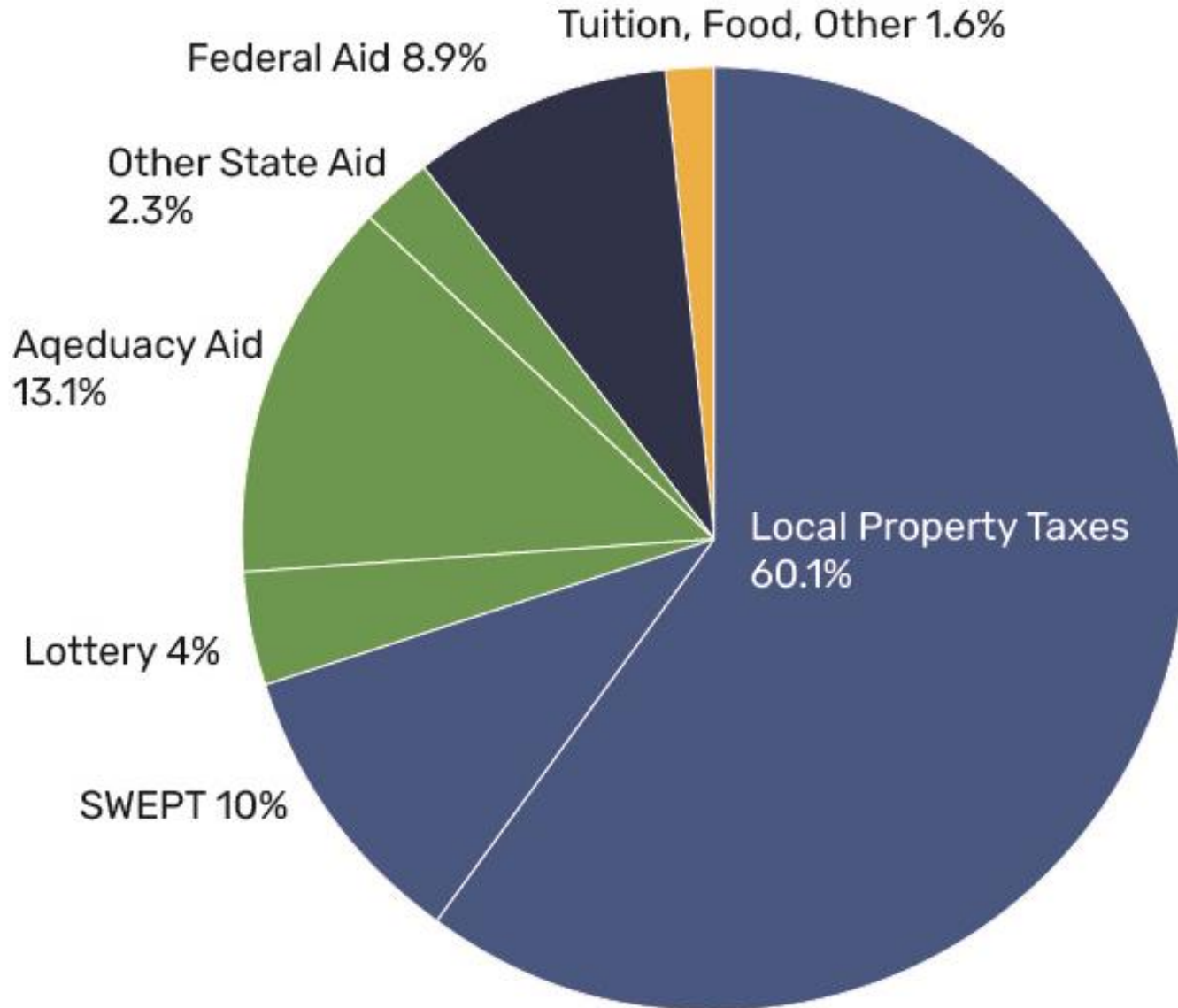
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# The Problem Lies with the Blue Portion of the Pie



# Current Proposals in the NH Legislature

- **HB 529** – Would reinstate Fiscal Capacity Disparity aid and additional aid for school districts with higher % of students eligible for Free or Reduced-Price Meals.
- **HB 334** – Would swap out the current formula for a cost of an adequate education for a single number for all students, ½ of the statewide average cost per pupil. Roughly \$9,700 for 2021-22 year.
- **HB 569** – Would return the State Wide Education Property Tax (SWEPT) to an actual state tax, and dramatically increase the rebates for the Low- and Moderate-Income Property Tax Relief Program
- **State Budget** was announced by the Governor on February 14<sup>th</sup>



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# A Final Thought

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





NH SCHOOL

# Funding Fairness Project

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[www.fairfundingnh.org](http://www.fairfundingnh.org)

@FairFundingNH *Twitter*

@NHSchoolFundingFairness  
*Facebook*

@fairfunding\_nh *Instagram*

603-496-5552

**THANK  
YOU!**



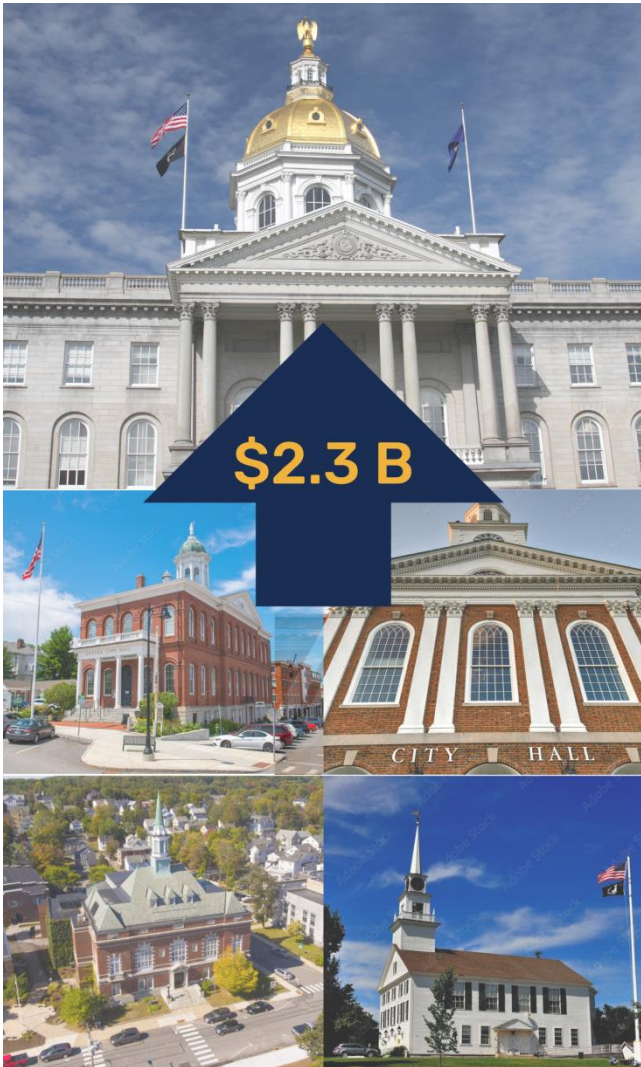
# The Heart of the Problem

**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**

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# School Funding and Property Taxes

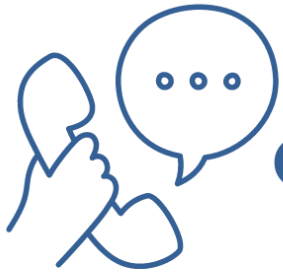
## Summary

- 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.



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# 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**



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' faces and the classroom background blurred. A dark blue rectangular box is overlaid on the left side of the image, containing the text 'QUESTIONS?'.

**QUESTIONS?**

## 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*



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## 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)*



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## 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*



## 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 <sup>rd</sup> Grade	
	<b>\$3,787</b>	<b>\$1,893</b>	<b>\$2,037</b>	<b>\$740</b>	<b>\$740</b>	
<b>Croydon</b>	<b>83</b>	<b>50</b>	<b>14.393</b>	<b>-</b>	<b>1</b>	<b>\$392,081</b>

*Note: Per FY22-23 budget, student counts based on higher of 2019-20 or 2020-21 figures; 3<sup>rd</sup> 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"		
<b>Croydon</b>	<b>\$177,205</b>	<b>\$214,876</b>	<b>\$190,872</b>	<b>\$7,588</b>	<b>\$413,336</b>	<b>\$590,541</b>



# 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

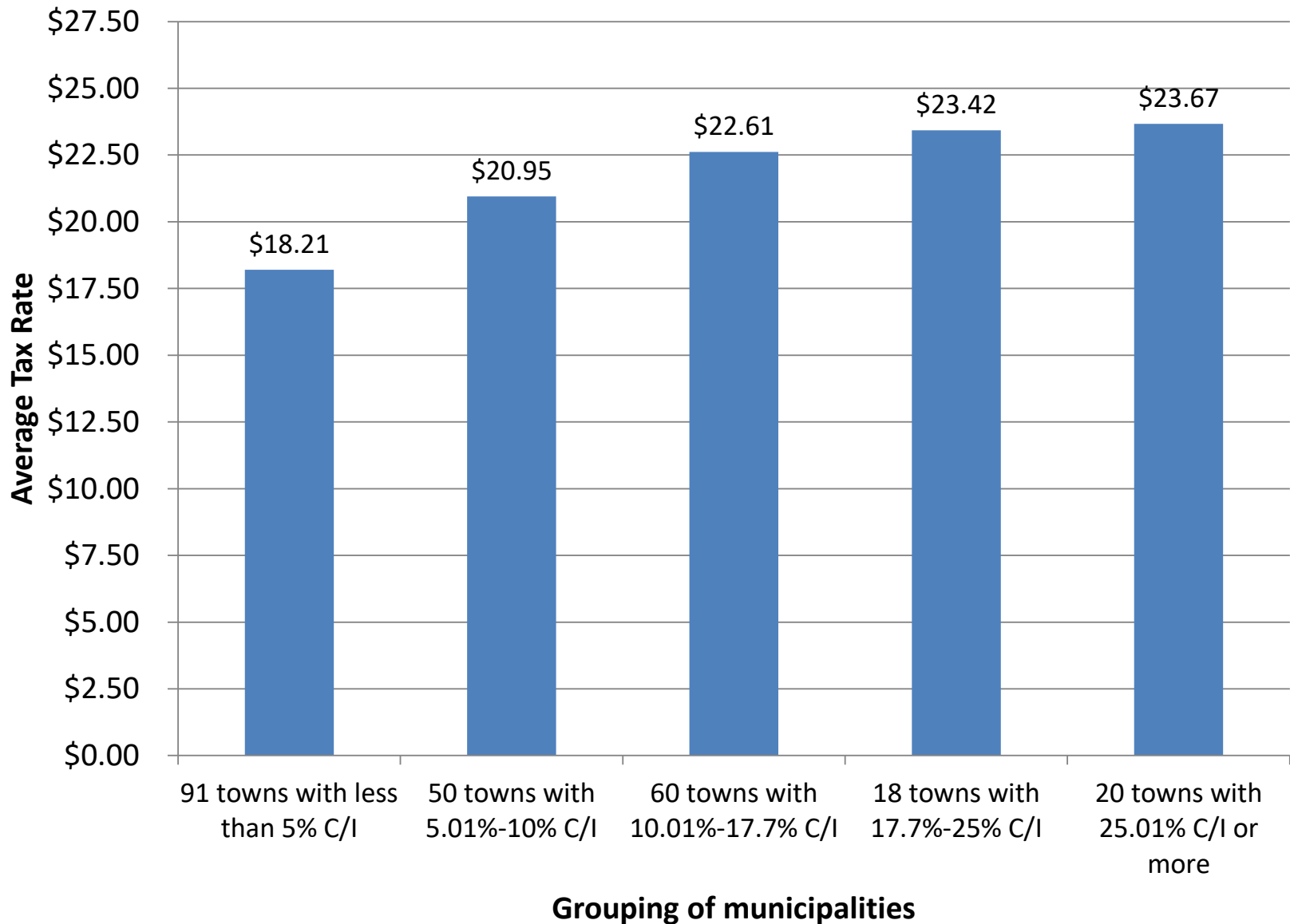
## *Revenue Generation*

- 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**

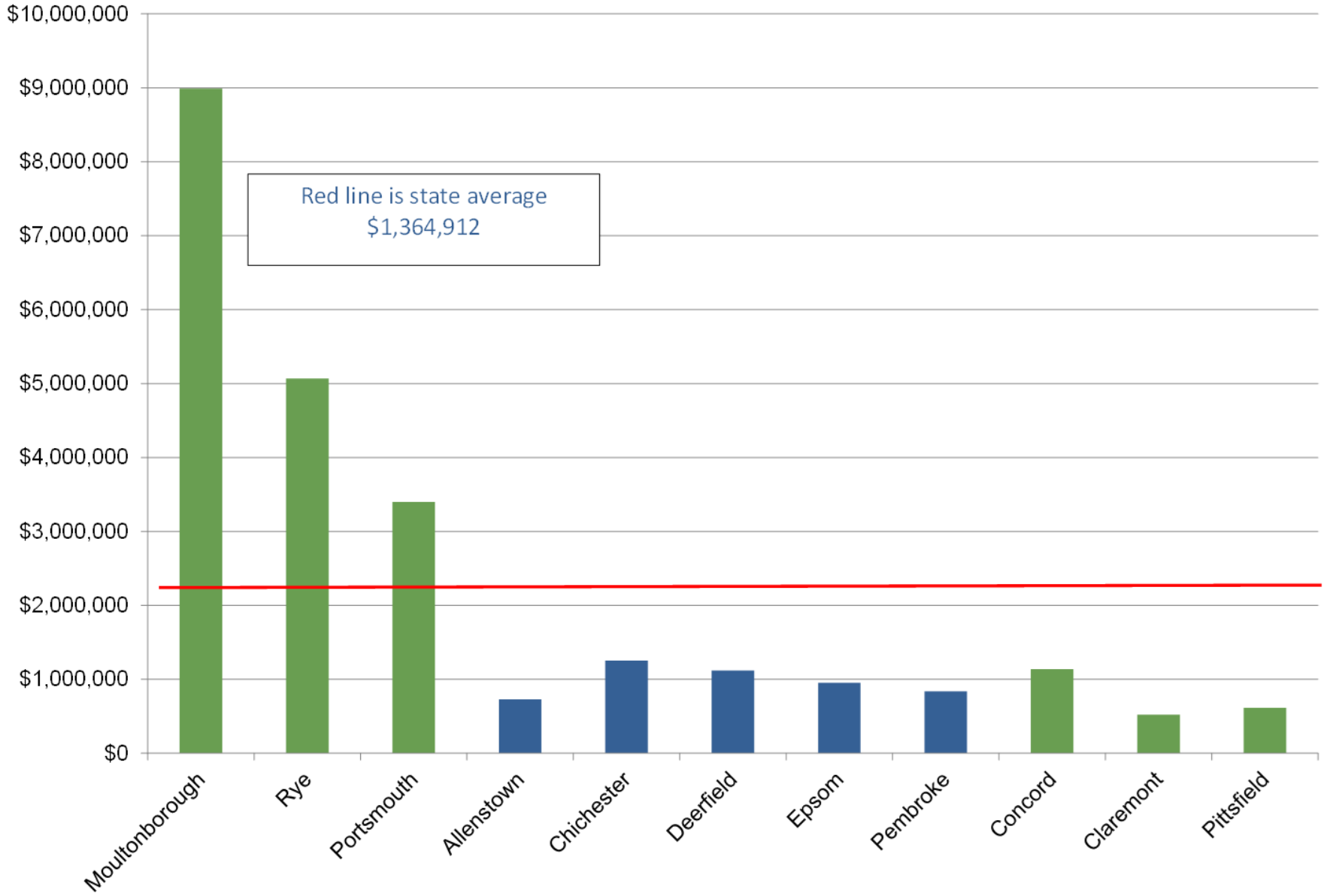
## **The Resources Needed to Achieve Adequacy May Differ from District to District**

“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 numerous US one hundred dollar bills, overlapping and scattered across the entire background. The bills are in various orientations, showing different parts of the design, including the portrait of Benjamin Franklin, the Treasury seal, and the large '100' numerals.

**Other  
Approaches for  
Generating Needed  
Revenue Fairly**

**A true Statewide  
Property Tax of  
\$10.24  
per thousand  
valuation**



## 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



**Other  
Approaches for  
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Revenue Fairly**

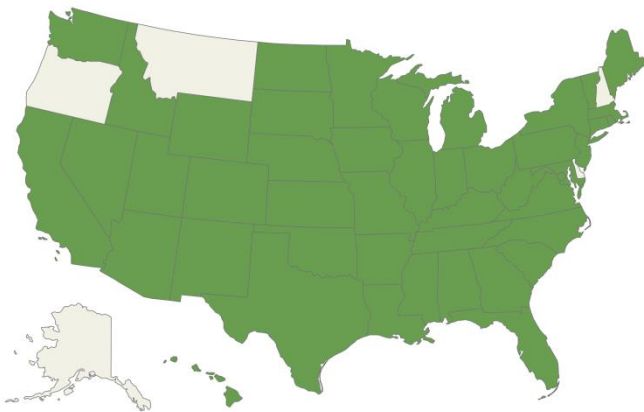
**Value Added  
Tax**

**Personal  
Income Tax**

**Sales tax on  
goods and  
services**

**Resource  
Extraction Tax**

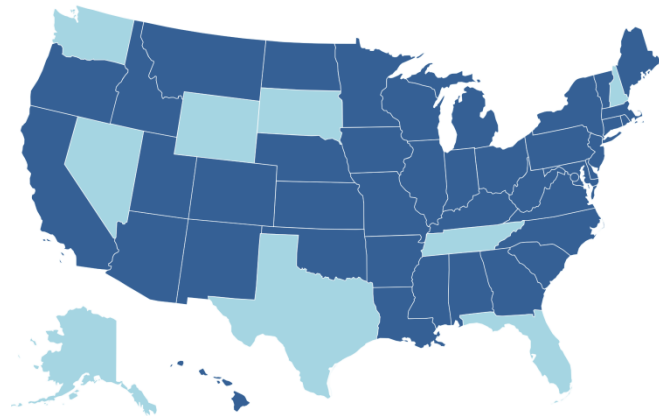
# Multiple Approaches Available for Generating Additional State Revenue



## 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



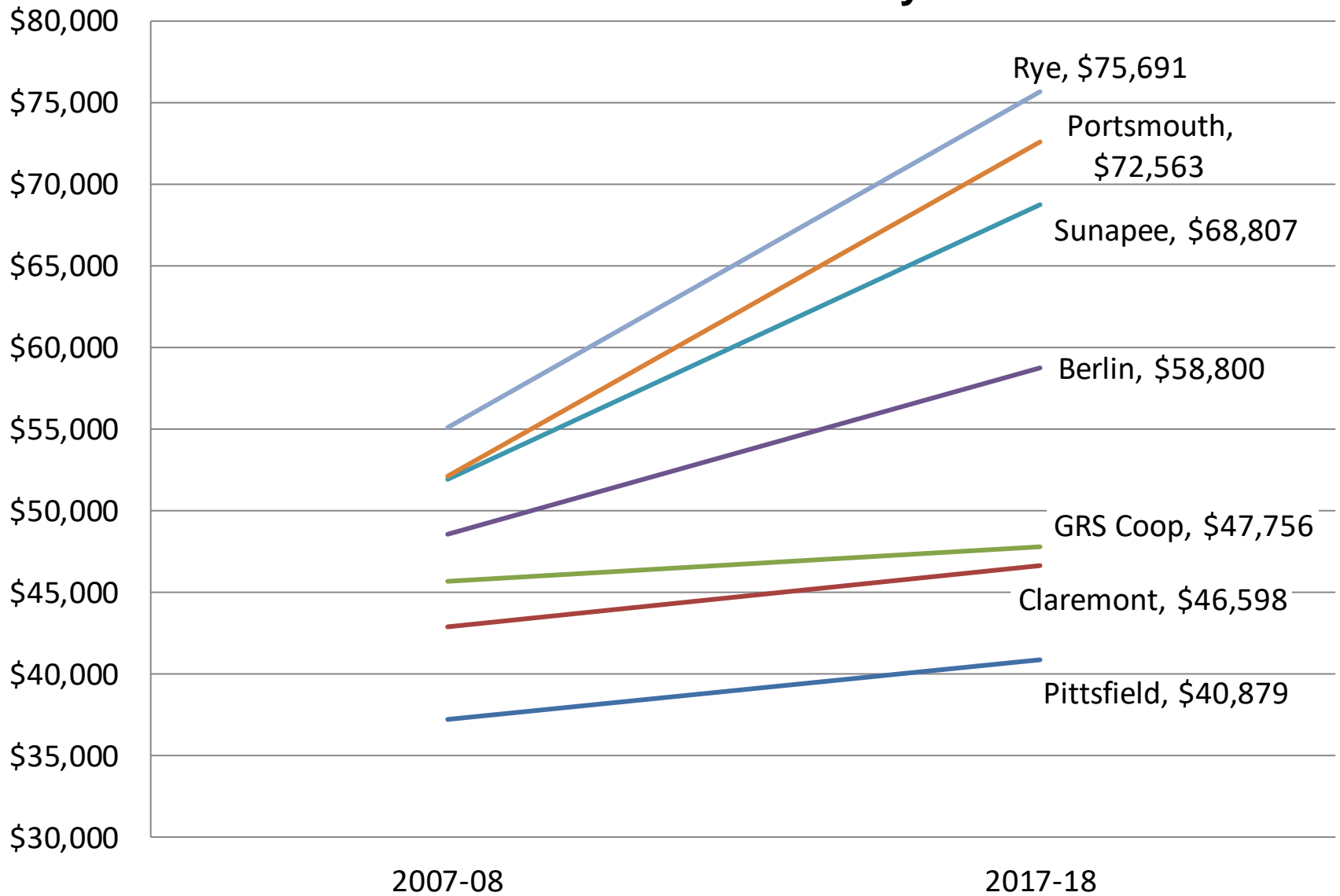
## A Possible Lawsuit by Taxpayers?

- 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.**

