

NH SCHOOL

Funding Fairness Project

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

Zack Sheehan, Executive Director

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.



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

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. Hearing concluded May 2nd.
- 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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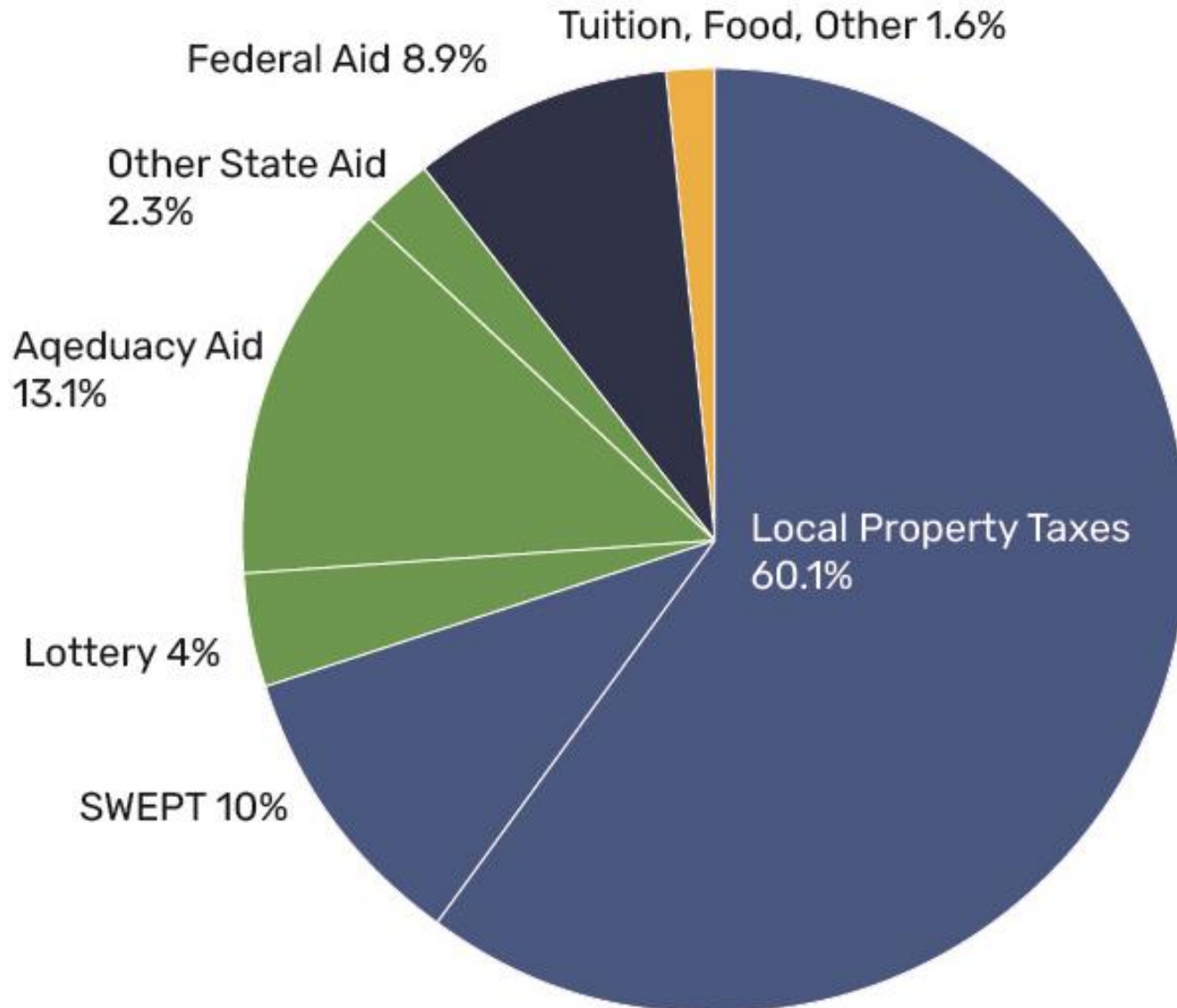
Enormous Gap Between State Aid & Actual School Costs

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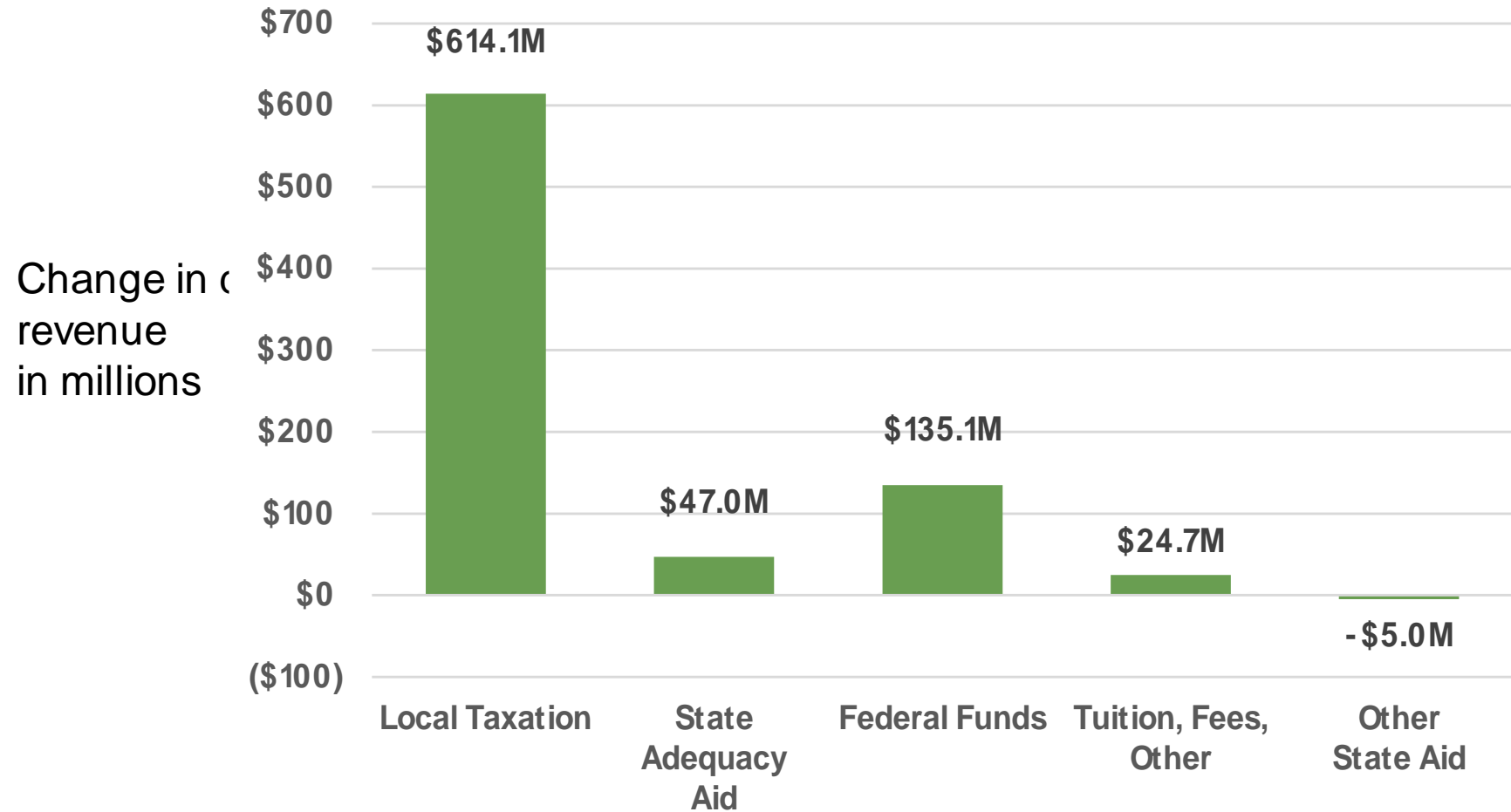
NH Relies Overwhelmingly on Local Property Taxes to Fund Public Education

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



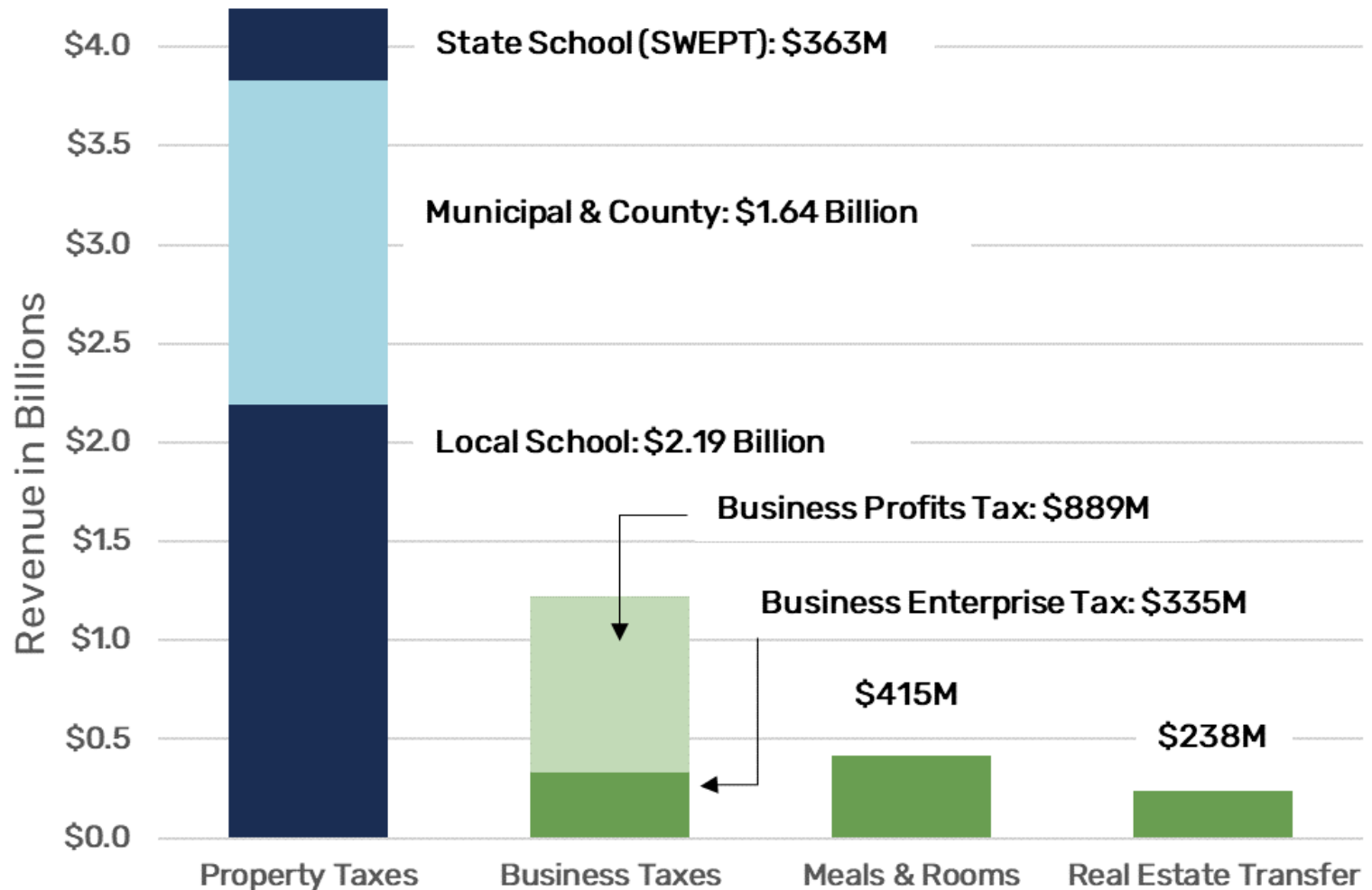
Reliance On Local Property Taxes Has Grown Over Time

Change in School District Revenue, 2012– 2022



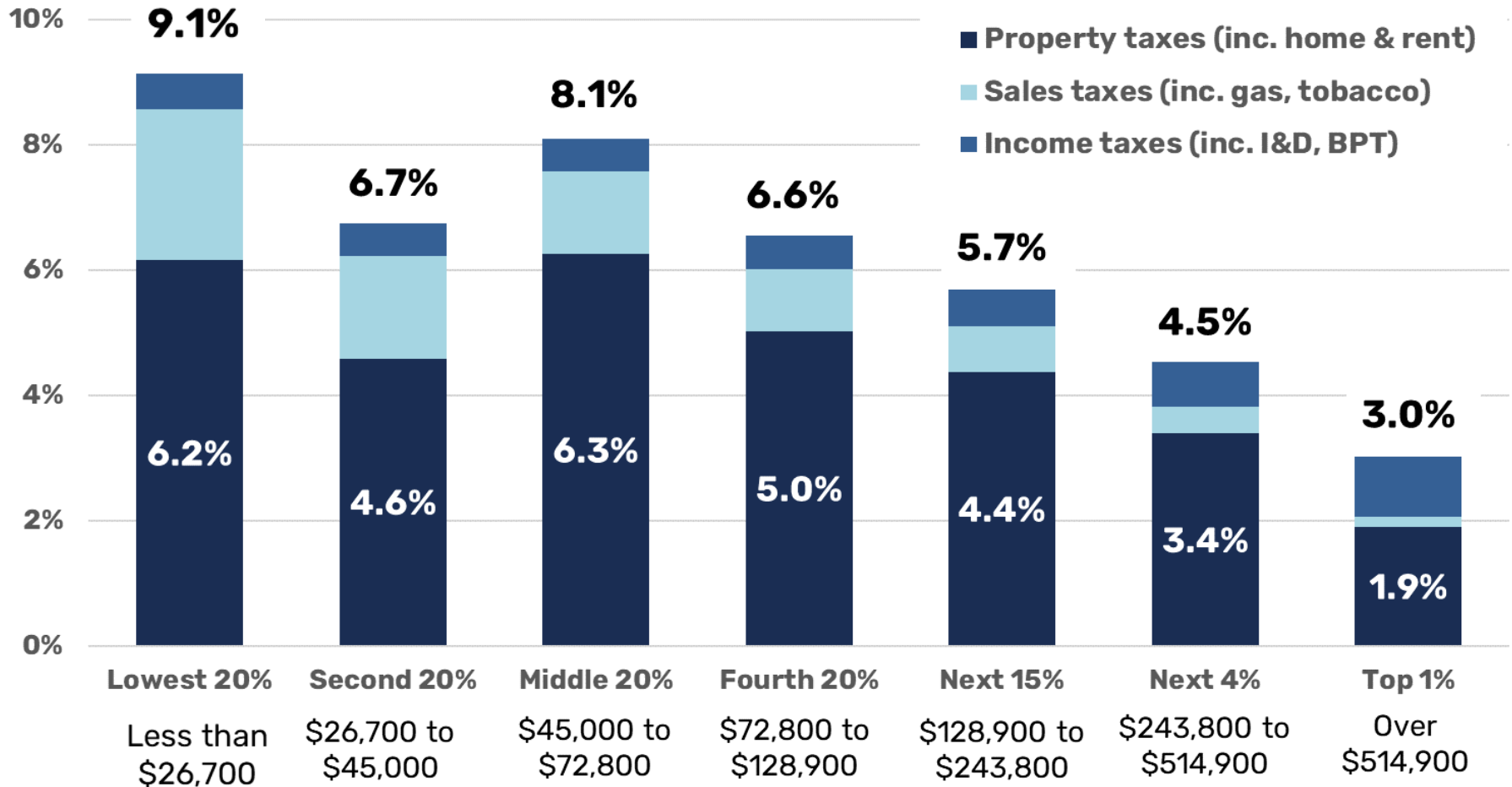
The Property Tax is the Largest Tax in NH

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



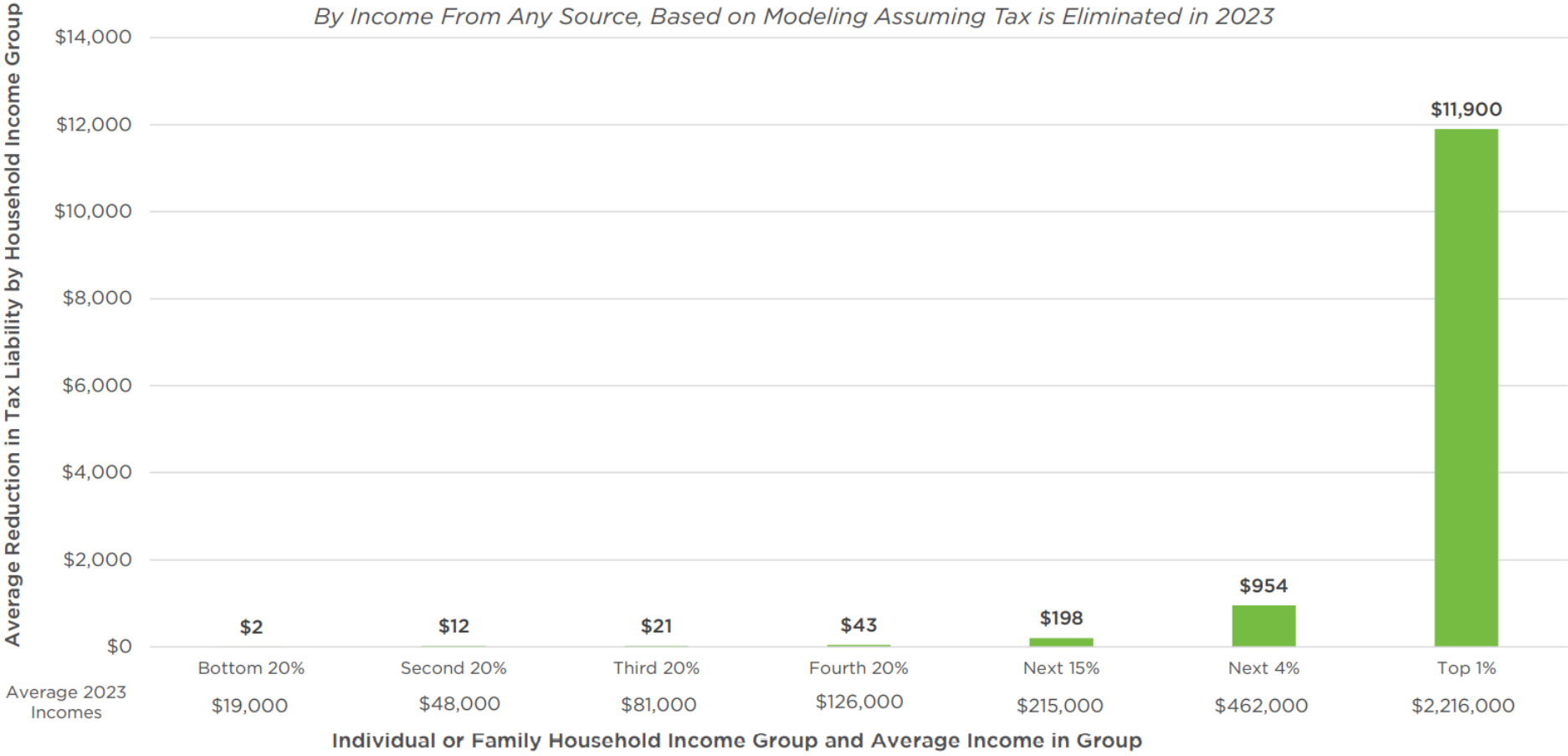
Property Tax Reliance Adds to Regressivity of New Hampshire's Tax System

Taxes as a Share of Income, by Income Group, 2018



AVERAGE TAX REDUCTION PER INDIVIDUAL OR FAMILY HOUSEHOLD FROM INTEREST AND DIVIDENDS TAX ELIMINATION BY INCOME GROUP IN NEW HAMPSHIRE

By Income From Any Source, Based on Modeling Assuming Tax is Eliminated in 2023

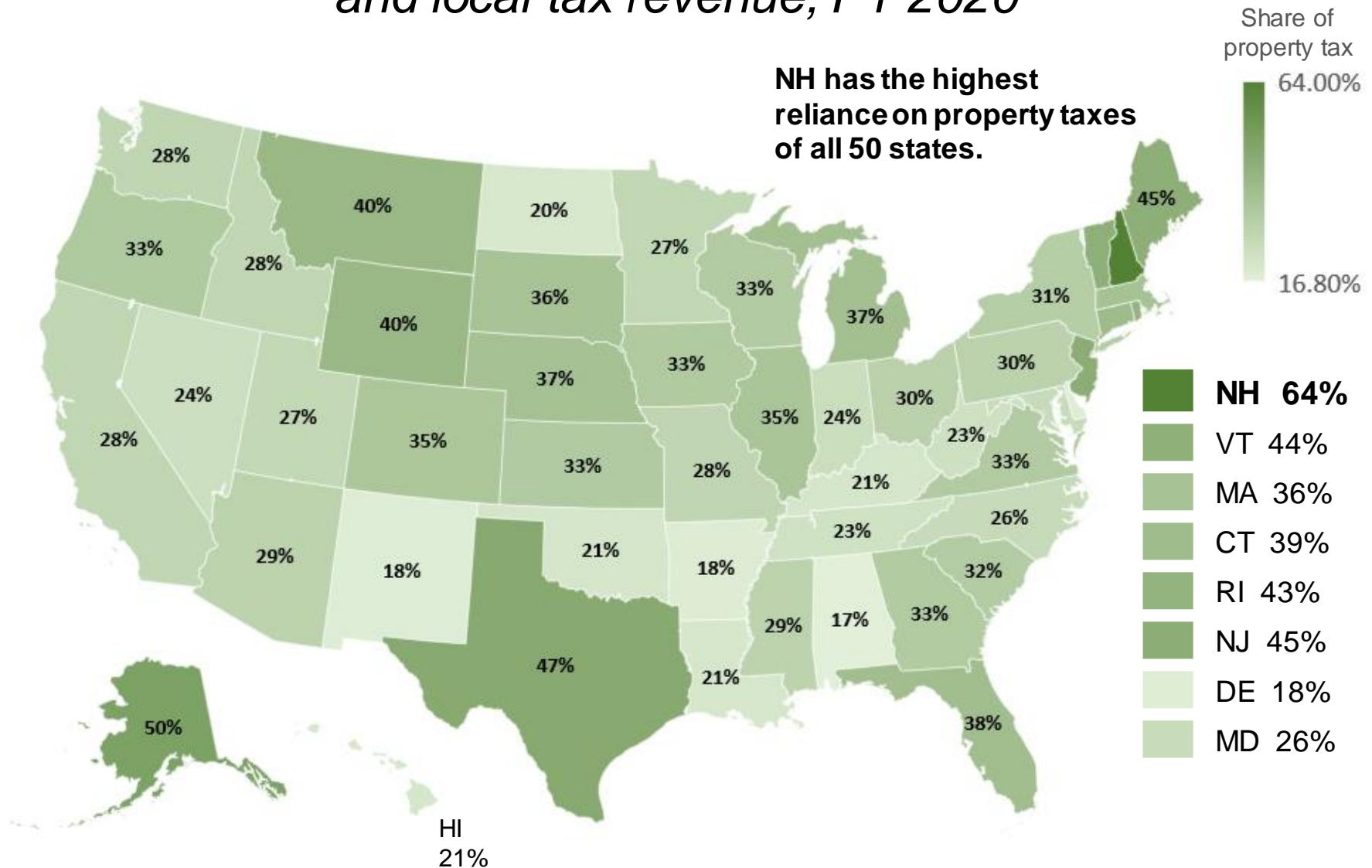


Source: Institute on Taxation and Economic Policy, February 9, 2023

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

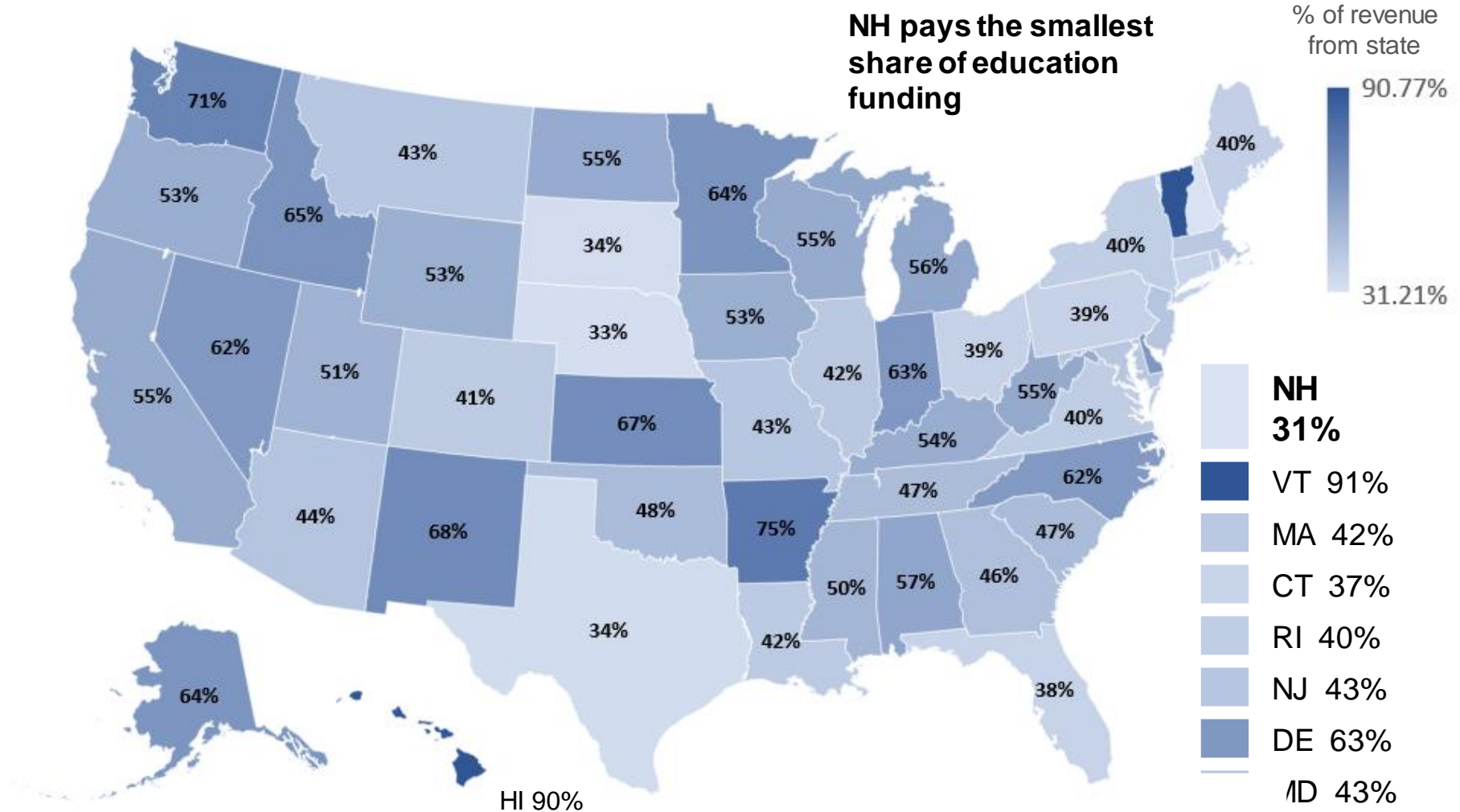
Property tax revenue as a share of the total state and local tax revenue, FY 2020

NH has the highest reliance on property taxes of all 50 states.



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

Percent of school revenue from state sources, FY 2020



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.



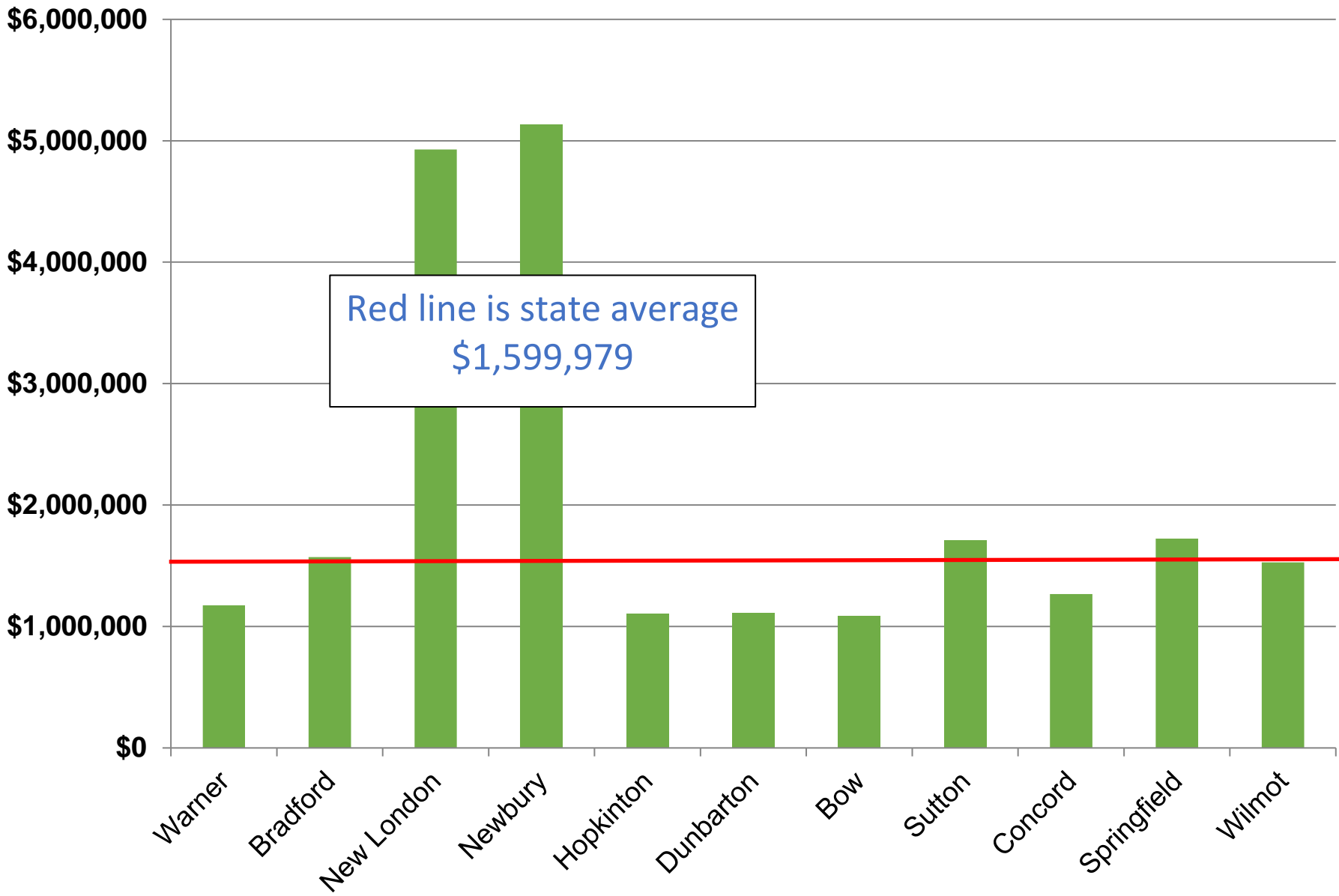
Role of Property Taxes & Resulting Inequities in this Region

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

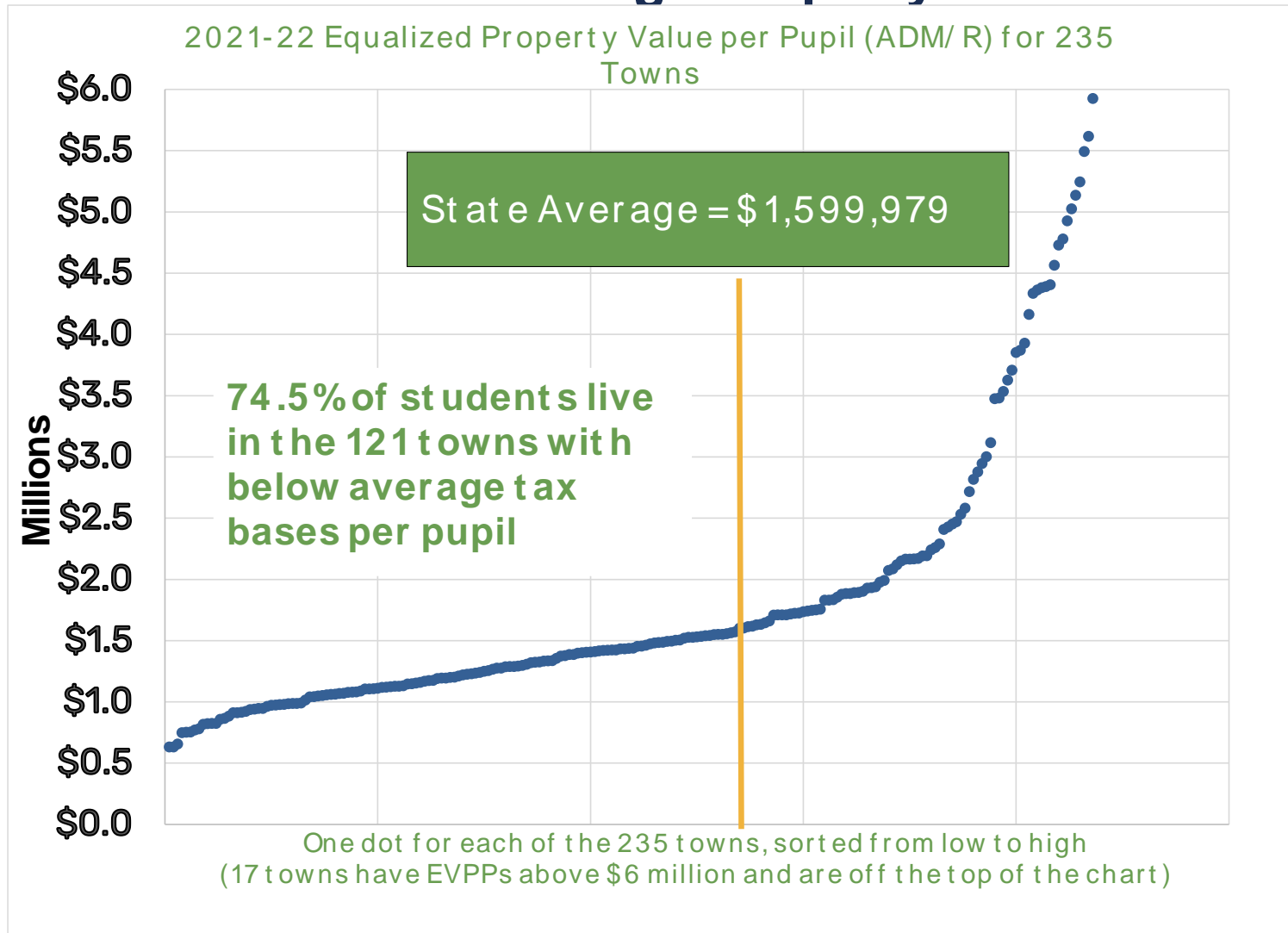
Town	Pupils	Equalized Value Per Pupil	Equalized School Tax Rate	Amount Raised Per Pupil
Hopkinton	911	\$1,105,315	17.07	\$18,868
Warner	362	\$1,174,623	11.79	\$13,849
Wilmot	182	\$1,527,749	10.14	\$15,491
Bradford	200	\$1,571,084	10.03	\$15,758
New Hampshire	165,039	\$1,599,979	9.74	\$15,584
Sutton	251	\$1,711,376	10.43	\$17,850
New London	345	\$4,927,438	8.92	\$43,953
Newbury	214	\$5,135,544	4.62	\$23,726



Equalized Property Value per Pupil 2021-22



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



Which Home Has the Larger Property Tax Bill?



“3-bedroom ranch...property is beautifully landscaped with perennial gardens and trees. The main level has an open concept layout with vaulted ceilings...beautiful fireplace is located in the center of the house keeping it warm all during the cold winter months...finished lower level includes a laundry room with access to outside, a large recreation room, a walk-in closet, [and] utility room that can be used for storage...large deck is an excellent spot to enjoy with friends and family over for summer gatherings.”



“Split level ... features an eat in kitchen, good size living room with picture window. Lower level currently has two bedrooms. Main level has potentially two bedrooms, currently a playroom and sitting room. Partially fenced yard and deck off the back of the house. One car garage.”



Which Home Has the Larger Property Tax Bill?



Sunapee

2021 market price: \$390,000
2020 assessed value: \$259,600

2020 school property tax: **\$2,074**



Newport

2021 market price: \$190,000
2020 assessed value: \$116,900

2020 school property tax: **\$2,125**



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

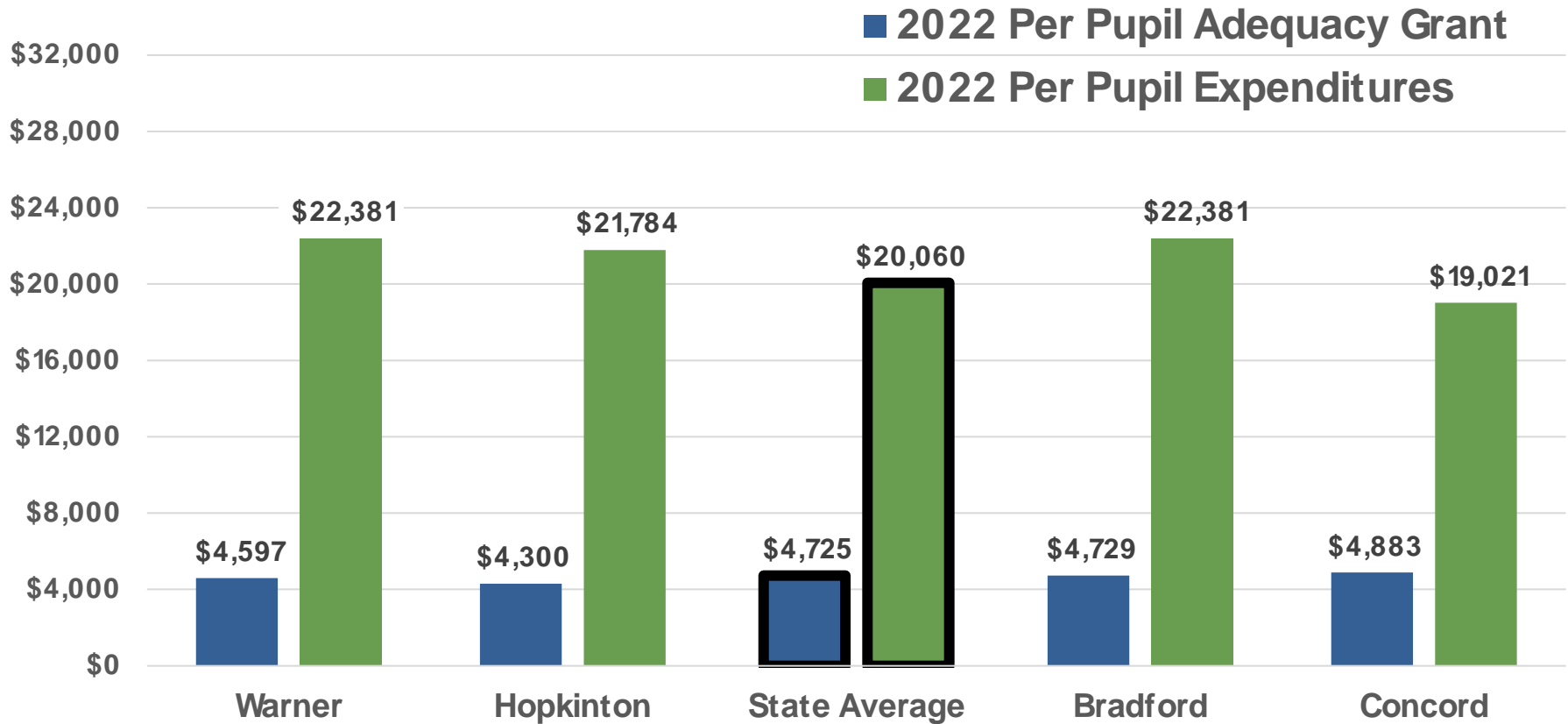
Current and Future Steps

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 3rd grader who is below proficient in reading
(who is not already in another category)
- = **\$4,842** **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 Allenstown’s 511 students, an adequate education should cost **\$2,418,121** or **\$4,980** per student in 2022-23.

The Allenstown School District budget for 2022-23 was **\$12,243,949** or **\$24,197** per student.

So, let’s pare that budget down.....



So let's pare that budget down...

Eliminate all busing (including special education busing)

Eliminate all English Language Learner support

Eliminate all special education contracted services

Eliminate all special education appraisal services

Eliminate all special education out-of-district placements

Eliminate all supplies, copier machines, liability insurance, plumbing and heating repairs

Eliminate all educational materials (including new textbooks)

Eliminate all art, music, and PE equipment

Eliminate all Chromebook technology and software contracts

Eliminate all co-curricular clubs, sports, field trips, and student assemblies

Eliminate two secretaries

Eliminate three of 4 custodians



So let's pare that budget down...

Eliminate all school board stipends and fees

Eliminate all payments on the school building bond *(resulting in default)*

Eliminate all summer programs

Eliminate all food services

Eliminate the art teacher

Eliminate the music teacher

Eliminate the physical education teacher

Eliminate the behavior teacher

Eliminate all substitute salaries

Eliminate one of the 2 nurses

Eliminate both guidance counselors

Eliminate both street crossing guards

Eliminate technology support personnel

Eliminate the assistant principal



So let's pare that budget down...

Eliminate two of 17 special education paraprofessionals (and reduced special education coordinator to half-time)

Eliminate special education speech/language pathologist

Eliminate one of 7 special education teachers

Eliminate the reading specialist

Eliminate the special education secretary

Eliminate the library media specialist

Eliminate the speech language pathologist

Eliminate reduced library aid to half-time

Eliminate grounds maintenance (including plowing)

Eliminate SAU 53 costs (including the superintendent and staff) and fees for audits and attorneys



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

An Example

Cut all tuition payments for 147 High School students

- Allentown budgeted \$2.2M for tuition to Pembroke Academy
- There is no way to control this line item, so it had to be cut

Budget at this point is still far above the State’s “adequacy” level

Now cut to the State’s “adequacy” level of \$2,418,121

- Nearly everything else has been eliminated, so now eliminate nearly half of the remaining teachers
- Grades K-4 would have **29 students/teacher**
- Grades 5-8 would have **38 students/teacher**
- An “adequate education” would **end in the 8th grade...**

How does anyone believe that this will provide an adequate education for Allentown’s 511 students?

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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
Hopkinton	\$39,675	Hopkinton	\$43,868
Kearsarge	\$40,608	Kearsarge	\$45,681
Pemi-Baker Regional	\$42,000	Pemi-Baker Regional	\$45,000
Nashua	\$44,200	Nashua	\$47,700
Portsmouth	\$47,867	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: Kearsarge Regional School District

	Equalized Value Per Pupil	Combined Education Tax Rate	Tax on \$300,000 Home
Warner	\$1,174,623	11.79	\$3,537
New London	\$4,927,438	8.92	\$2,676
Sutton	\$1,711,376	10.43	\$3,129
Newbury	\$5,135,544	4.62	\$1,386



Student Metrics at Kearsarge RSD Compared to NH Average

	Kearsarge RSD	NH State Average
Post Secondary Enrollment rate	44.1%	52%
NHIAA Sports	21	19
Credits Required to Graduate	23	24.8
AP Test Takers (% of enrollment)	19.1%	10.8%
2018-2021 SAT Score	1052	1024
Graduation Rate	91%	88%

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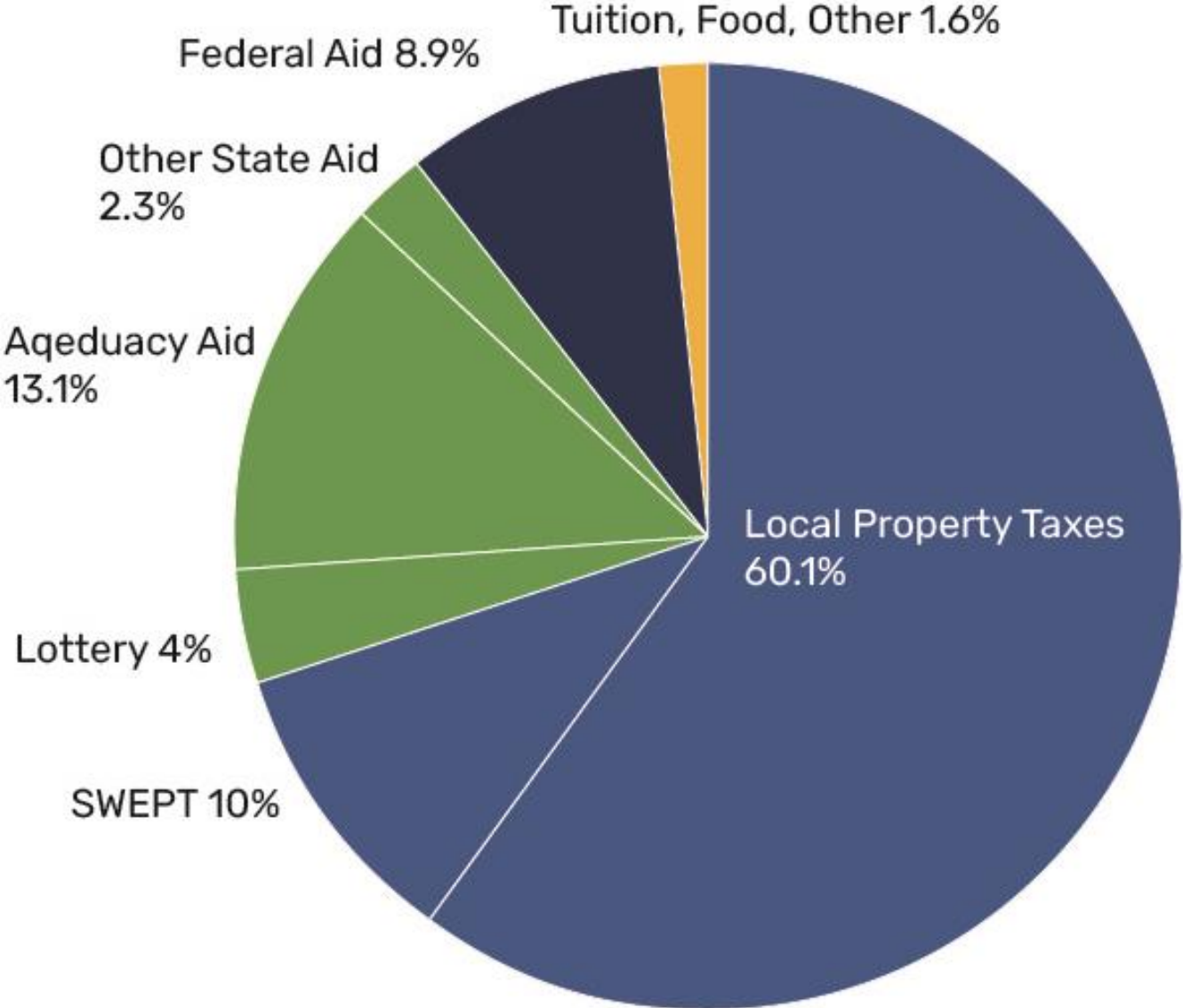
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The Problem Lies with the Blue Portion of the Pie



The Heart of the Problem

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



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



State Budget Currently in NH Legislature

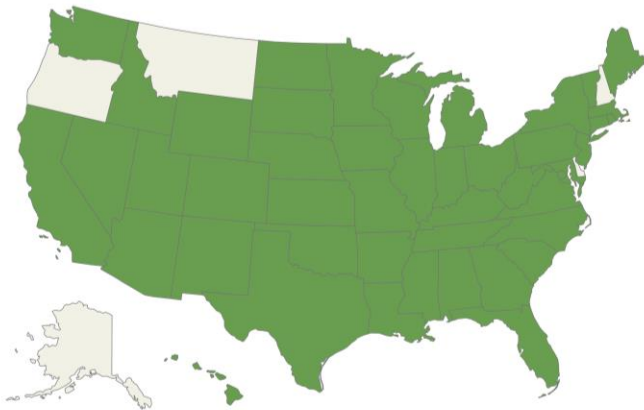
- **Governor proposed budget on February 14th**
 - Slight increase to Base Adequacy and per-student funding for students in Free and Reduced Lunch Program
 - Eliminate Stabilization Grants, resulting in public schools losing ~\$1.3 billion in need-based funding over 10 years. This would impact high-need districts like Berlin and Claremont the most
 - 200% increase in voucher funding (up to ~\$30 million/year)
- **Full House Voted on State Budget Proposal on April 6th**
 - Slight increase in need-based funding compared to Gov's proposal, with increased funding starting in FY 24 and 25
 - Decrease funding to Education Trust Fund by ~\$450 million over the biennium
 - Decrease building aid funding in ETF by ~\$174 million
- **Currently in the Senate, public hearing was on May 2nd**



Multiple Approaches Available for Generating Additional State Revenue

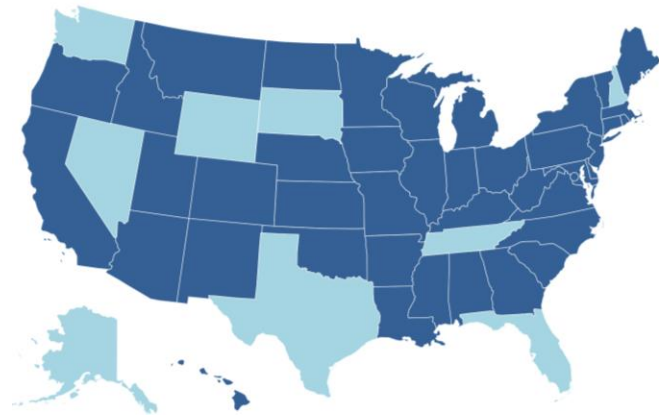
- **Restore prior levels / forms of taxation**
 - Return business tax rates to 2015 levels
 - Forestall elimination of the I&D tax
 - Reinstate estate/inheritance taxation
- **Extend current use of wealth taxation**
 - Institute a tax on capital gains
 - Establish a financial transactions tax
- **A true statewide property tax of about \$10 per thousand**
 - This would replace current property taxes for education
- **A statewide property tax of about \$4.50 per thousand**
 - This would pay for \$10,000 base adequacy (ConVal case)

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



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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THANK
YOU!

