

NH SCHOOL

Funding Fairness Project

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

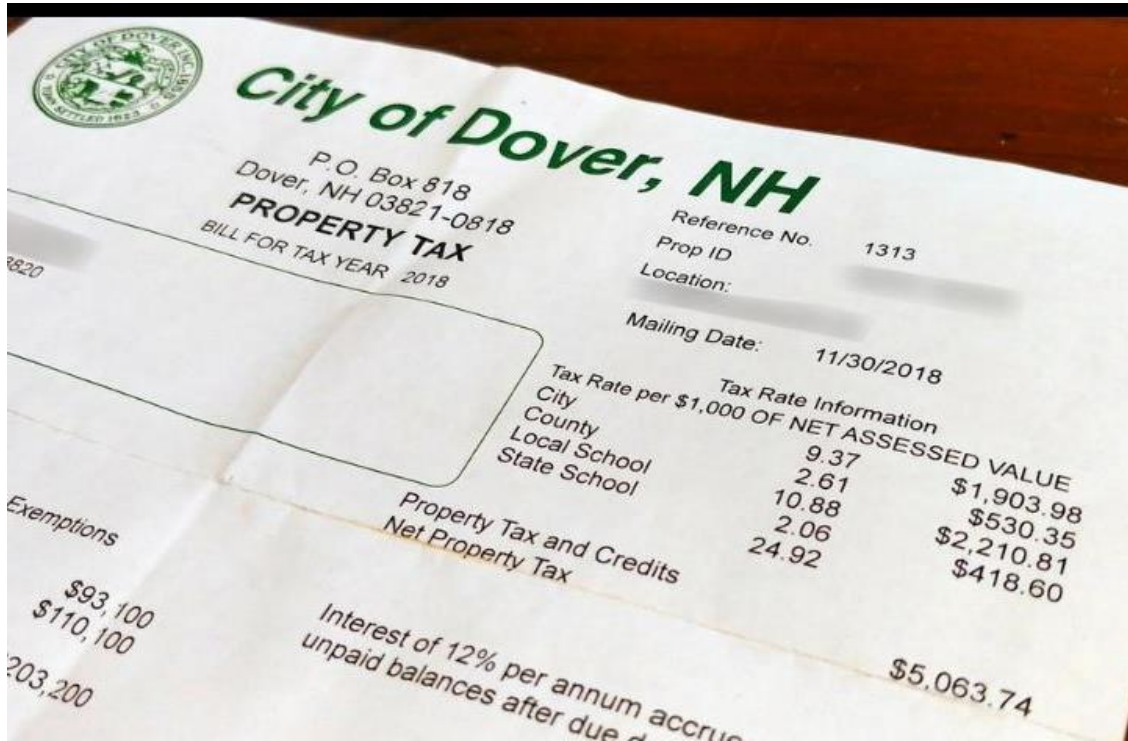
John Tobin, Board of Directors



School Funding and Property Taxes



NH SCHOOL
Funding Fairness
Project



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



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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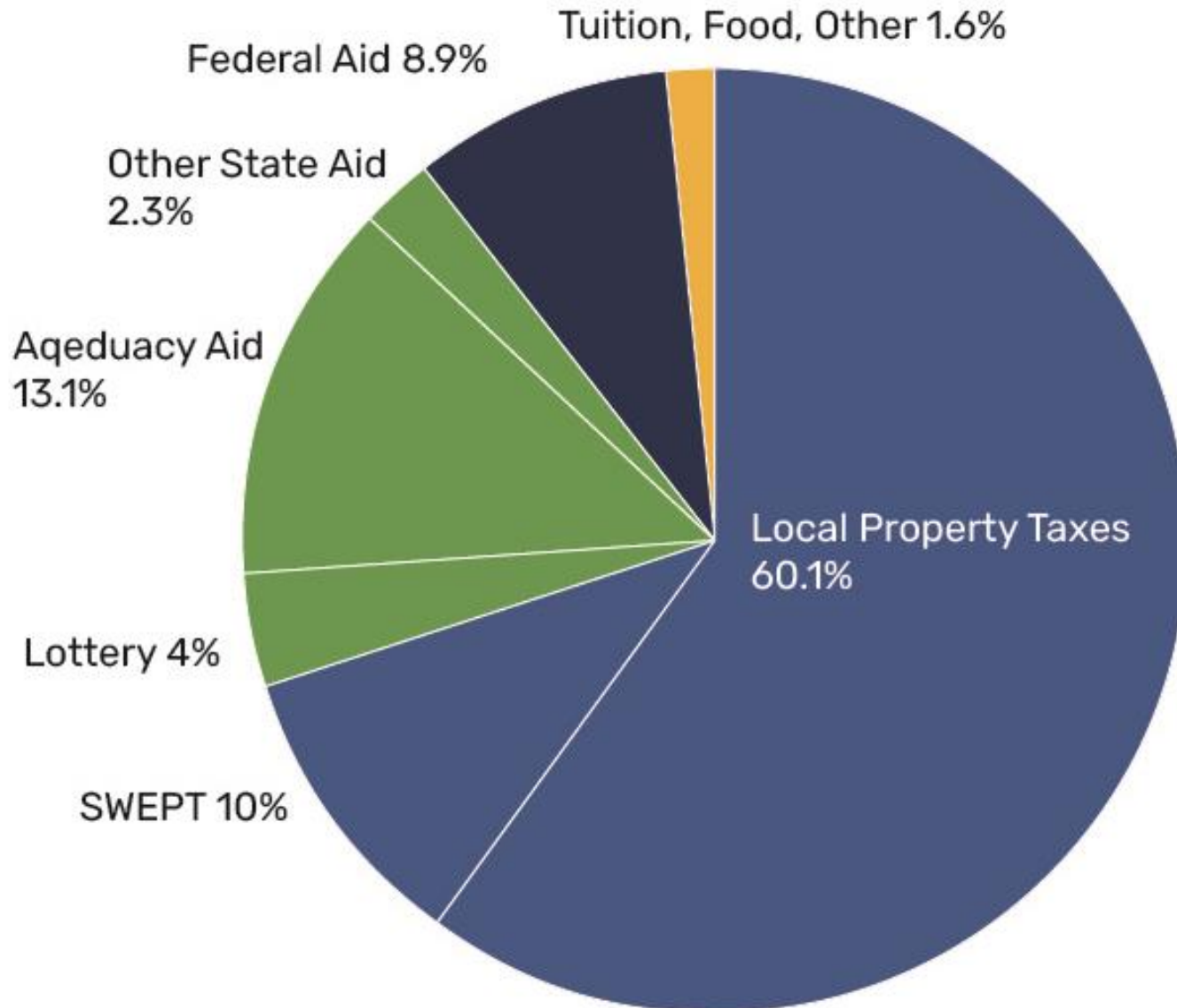
Enormous Gap Between State Aid & Actual School Costs

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

Current and Future Steps

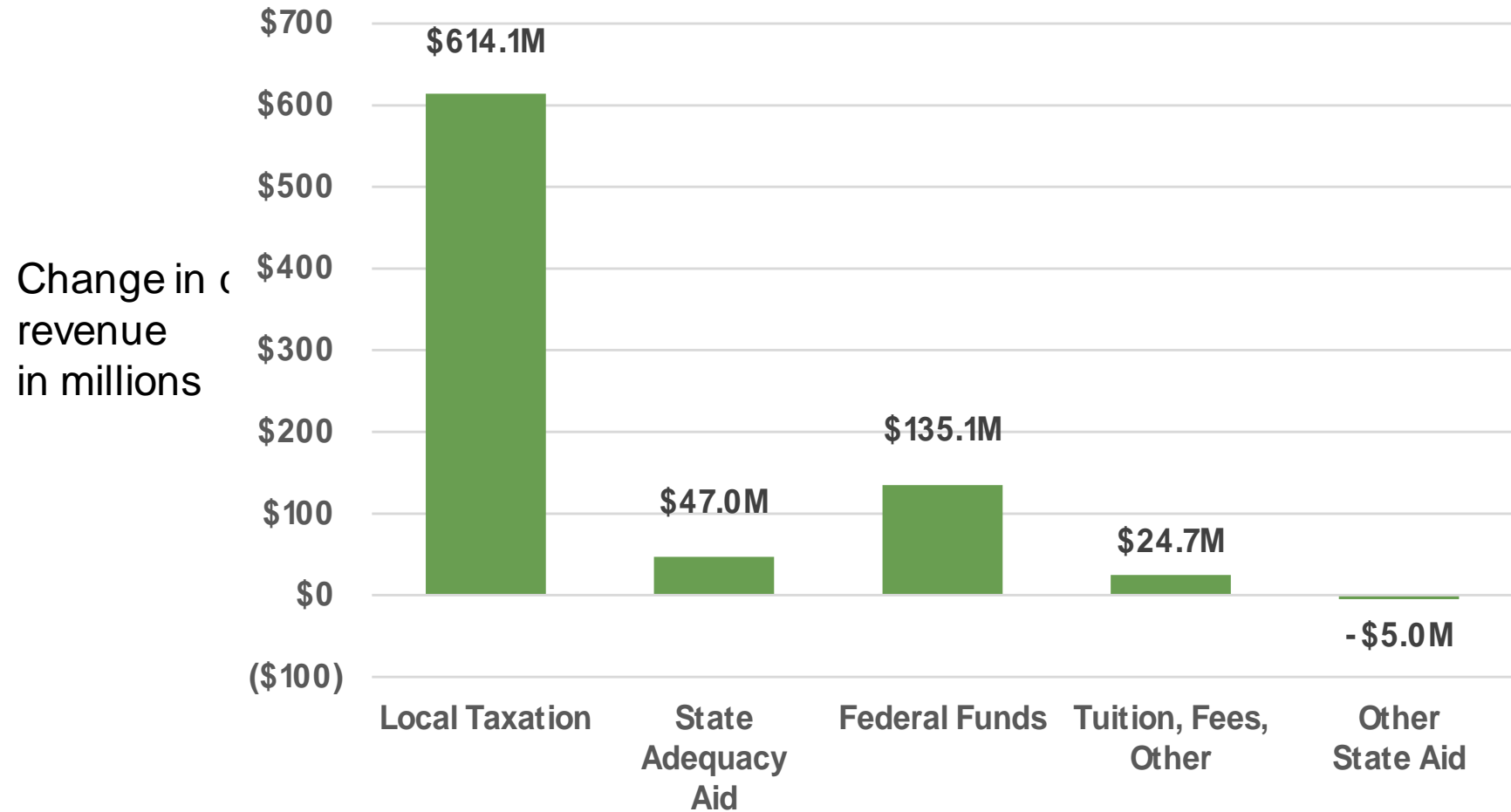
NH Relies Overwhelmingly on Local Property Taxes to Fund Public Education

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



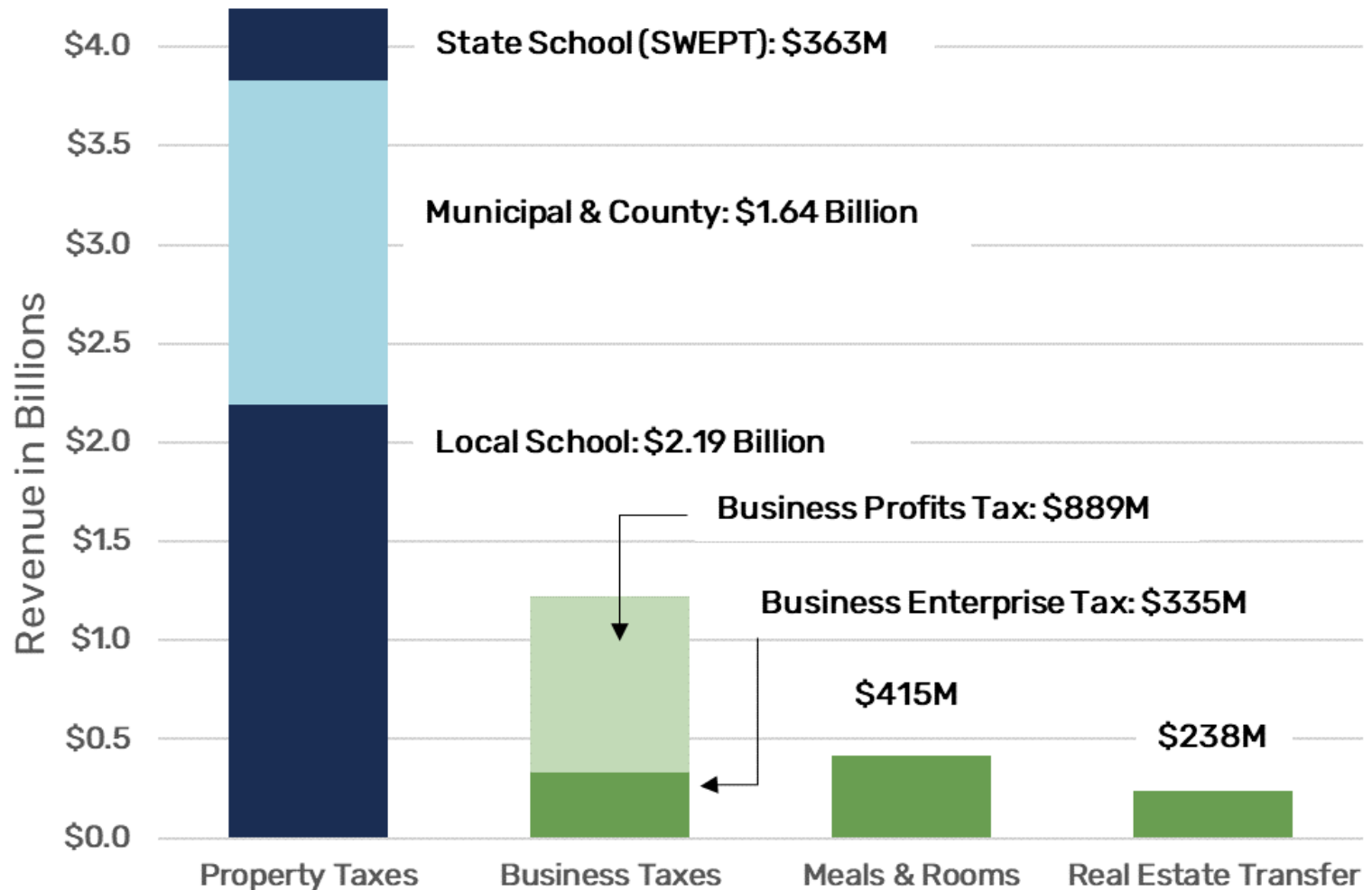
Reliance On Local Property Taxes Has Grown Over Time

Change in School District Revenue, 2012– 2022



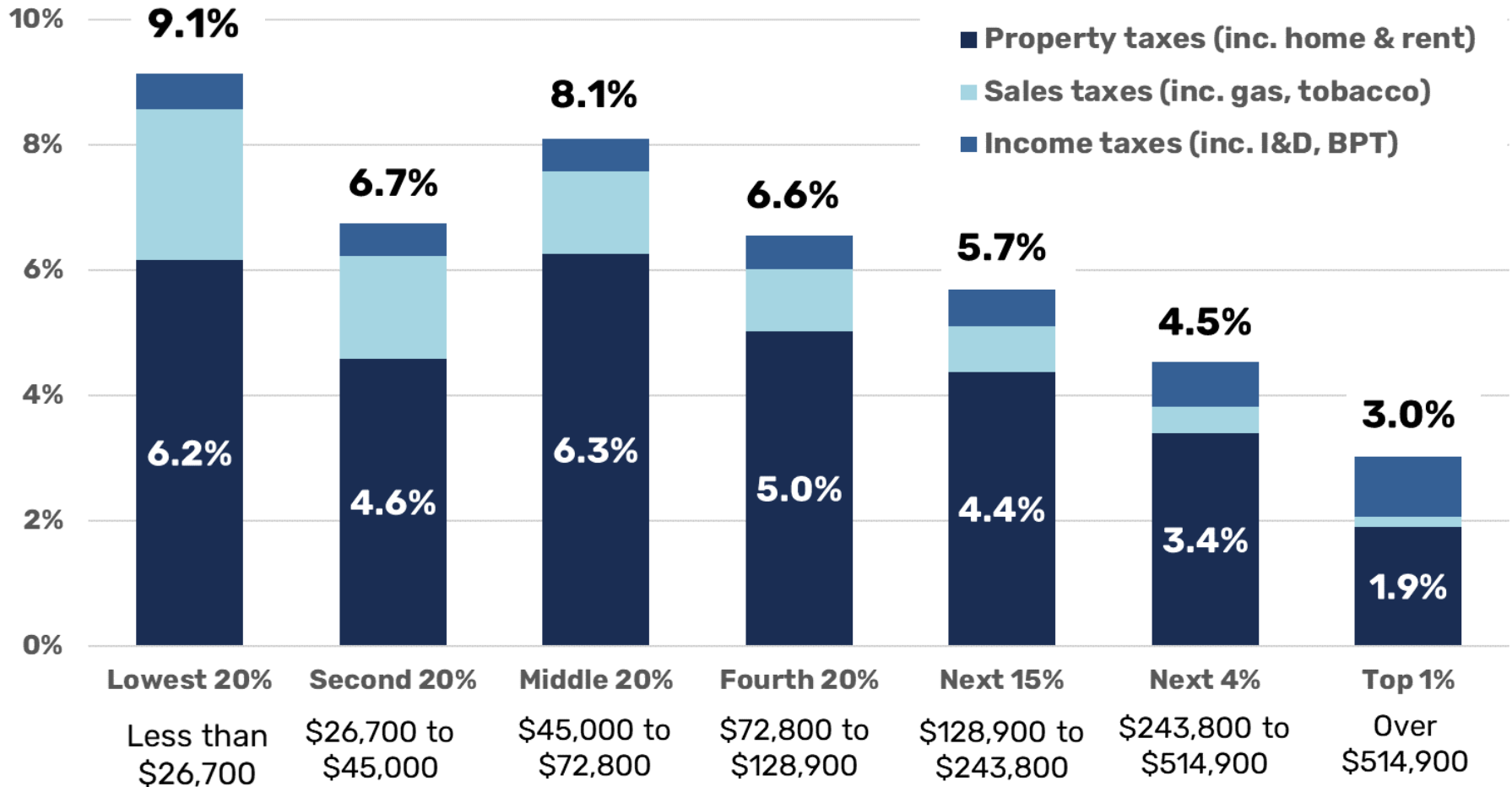
The Property Tax is the Largest Tax in NH

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



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

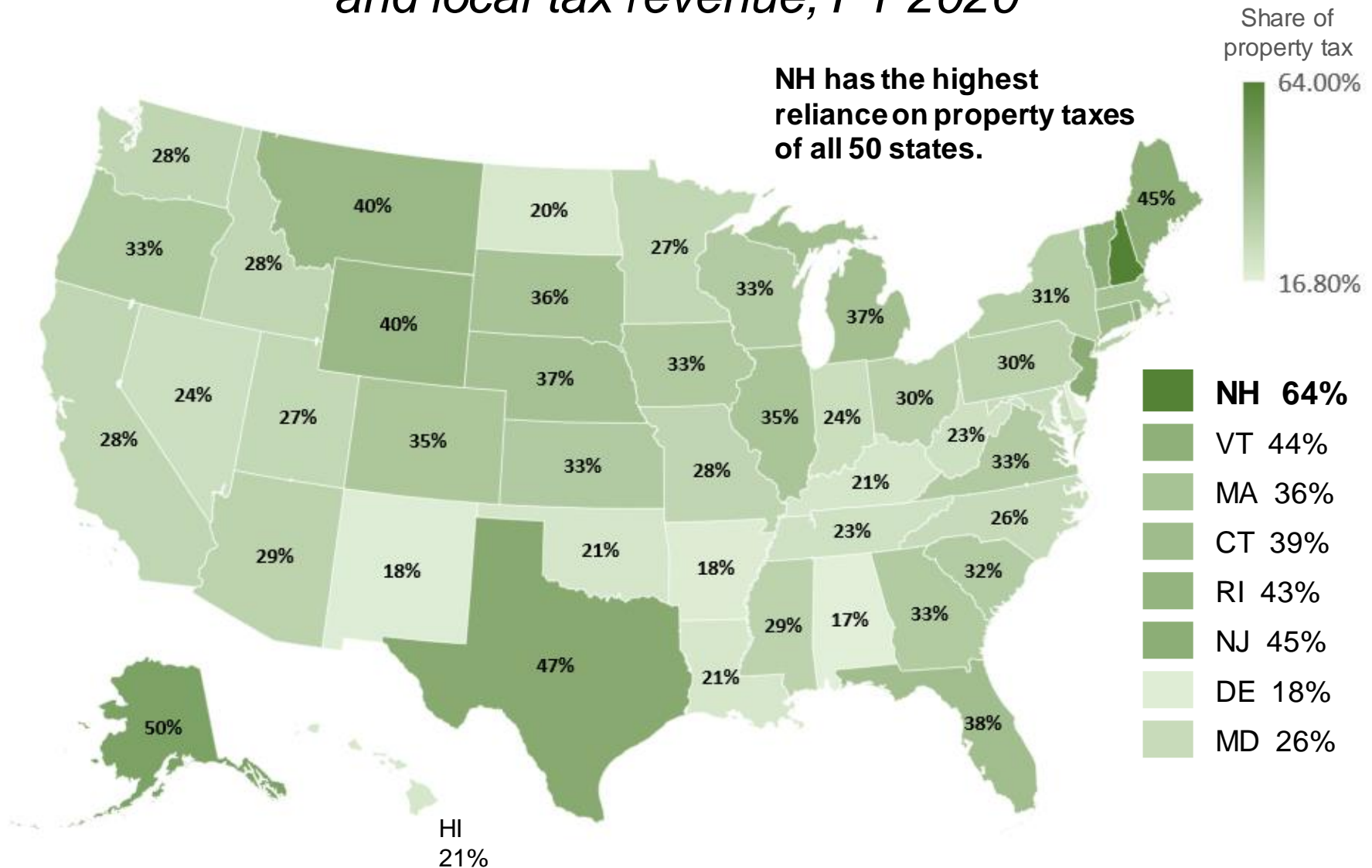
Taxes as a Share of Income, by Income Group, 2018



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

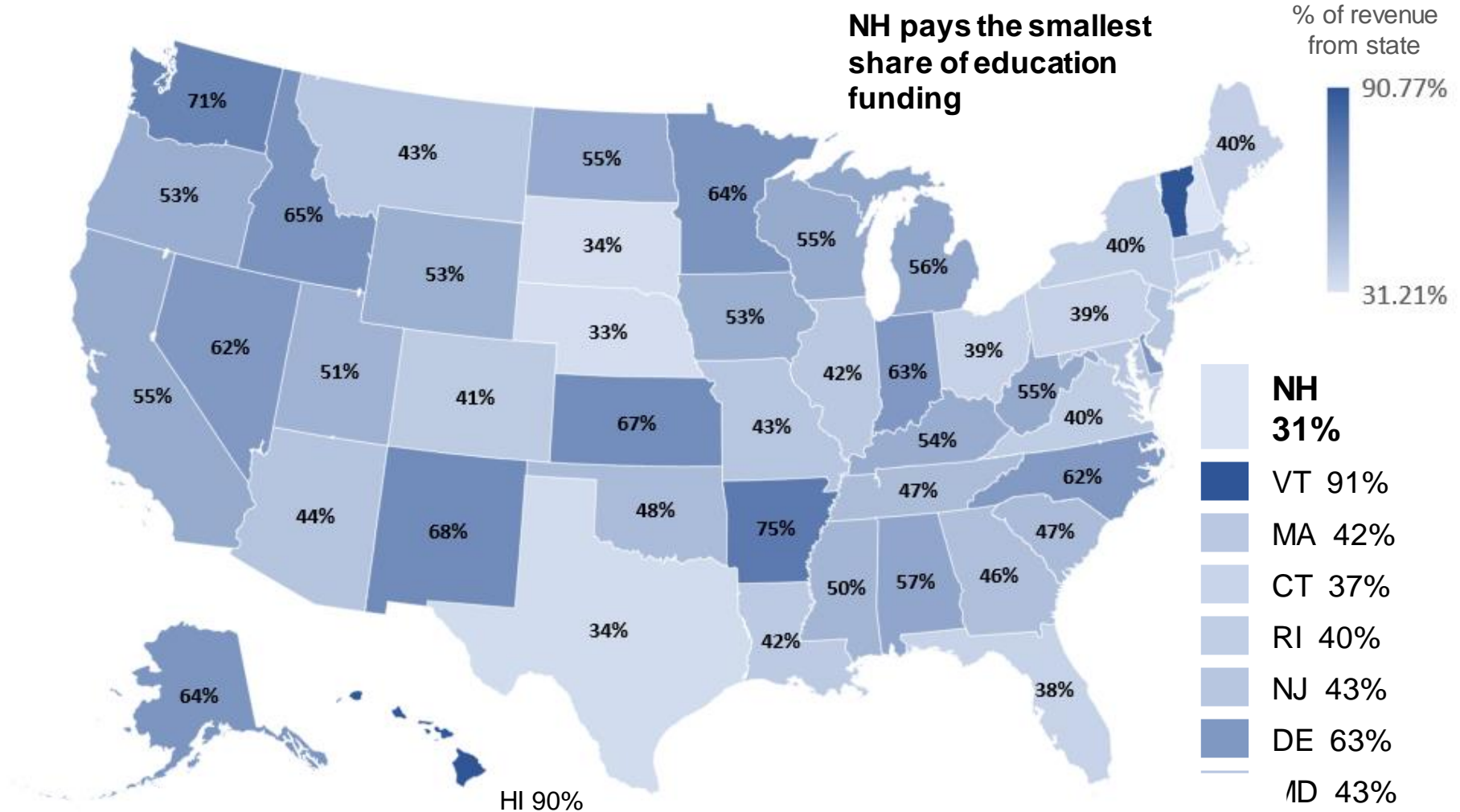
Property tax revenue as a share of the total state and local tax revenue, FY 2020

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

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
New Hampshire	165,039	\$1,599,979	9.74	\$15,584
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	\$632,806	16.93	\$10,713
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

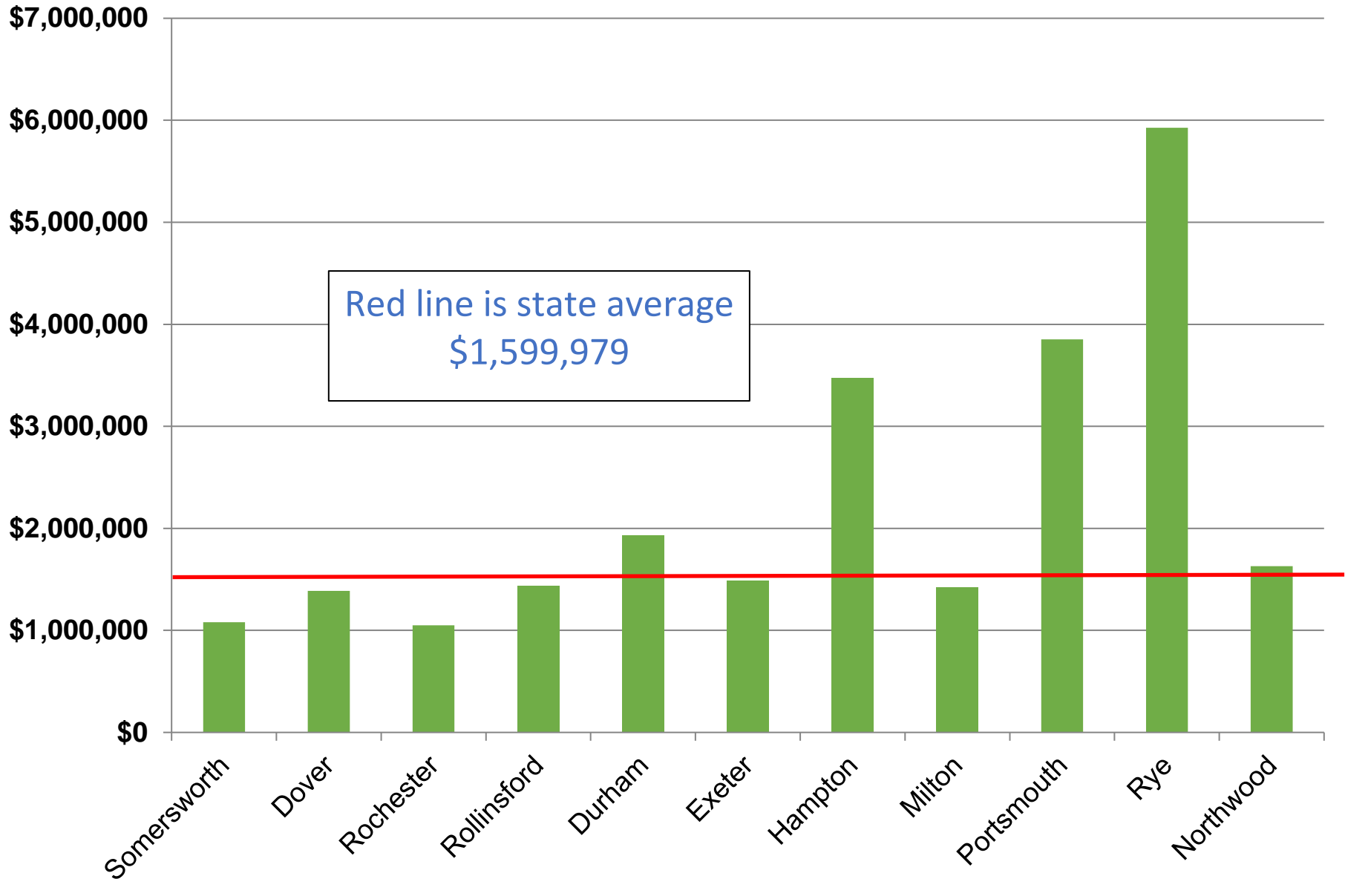
Role of Property Taxes & Resulting Inequities in this Region

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

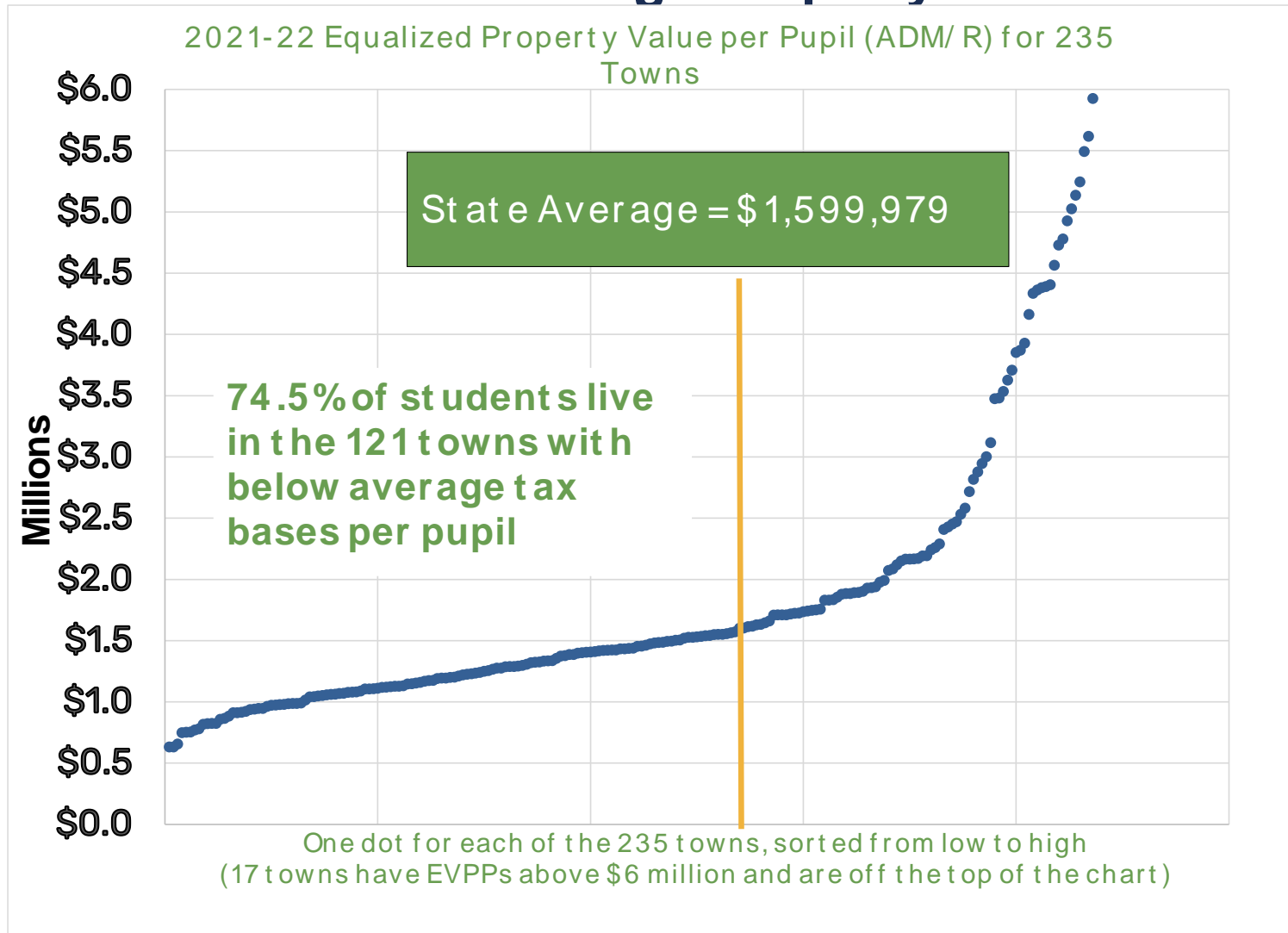
Town	Pupils	Equalized Value Per Pupil	Equalized School Tax Rate	Amount Raised Per Pupil
Rochester	3,808	\$1,048,369	10.03	\$10,515
Manchester	13,039	\$1,077,057	7.91	\$8,520
Somersworth	1,367	\$1,080,471	12.39	\$13,387
Dover	3,640	\$1,387,267	10.22	\$14,178
Rollinsford	278	\$1,432,841	12.22	\$17,509
Exeter	1,958	\$1,485,561	13.18	\$19,580
New Hampshire	165,039	\$1,599,979	9.74	\$15,584
Durham	932	\$1,929,640	12	\$23,156
Portsmouth	2,120	\$3,852,473	5.58	\$21,497



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?



“Large Ranch with open concept kitchen, living room/dining room, office/den, family room with gas fireplace, 3 bedrooms-master bedroom has very large walk-in closet and bath...a three car garage, central air... and 14' x 28' pool...Great Bay Marina is at the end of the road”



“Great small house [with] frontage on Salmon Falls River. 16x16 workshop with electricity. One bedroom with access to bath, second bedroom does not have a closet. Very roomy 9x45 open combo living...large deck off the back of the house overlooking the fenced in back yard.”



Which Home Has the Larger Property Tax Bill?



Newington

2020 market price: \$700,000
2020 assessed value: \$718,300

2020 school property tax: **\$1,939**



Rochester

2020 market price: \$155,500
2020 assessed value: \$140,400

2020 school property tax: **\$1,966**



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School Funding and Property Taxes

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Enormous Gap Between State Aid & Actual School Costs

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

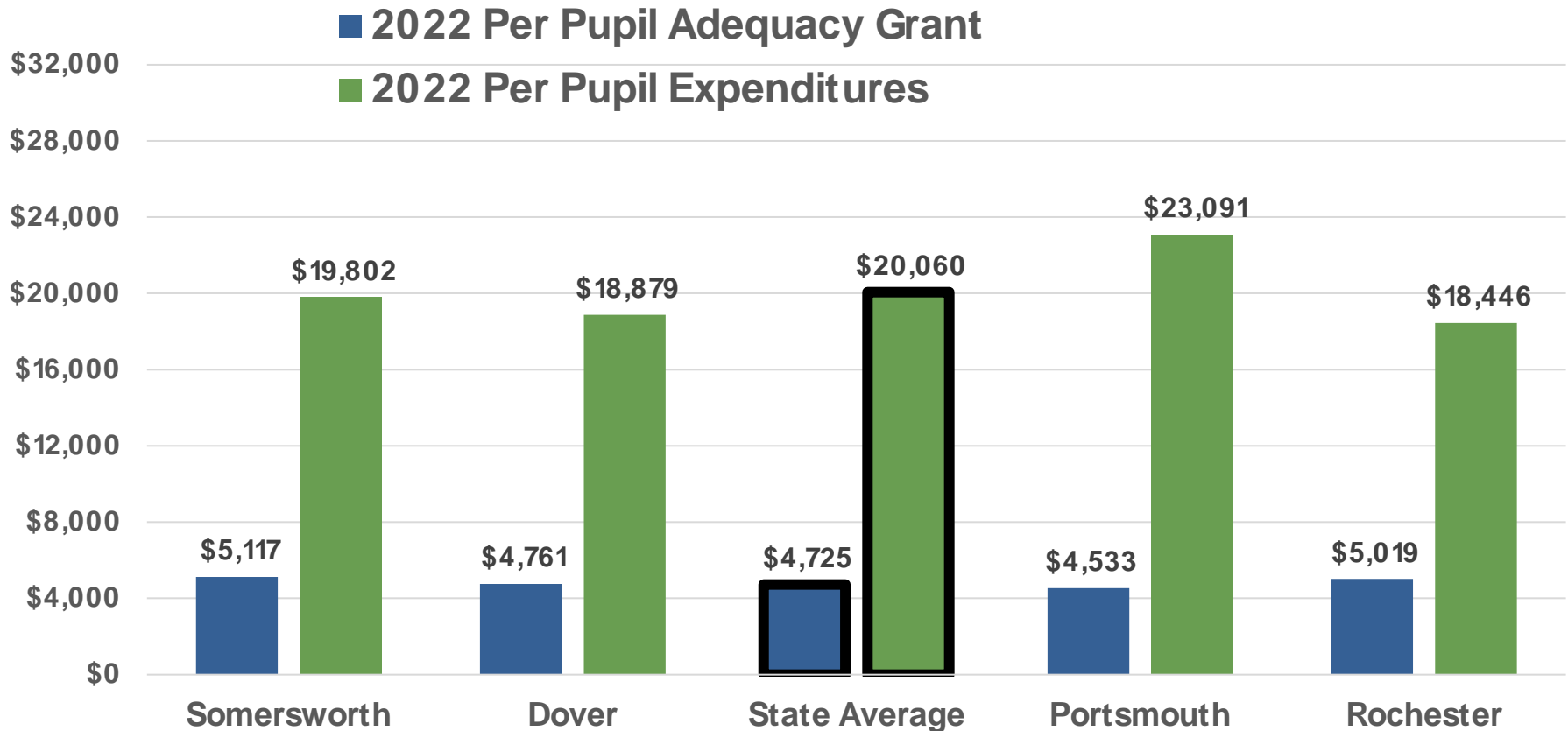
+ **\$740.87** for each student who is an English Language Learner

+ **\$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
Somersworth	\$38,339	Somersworth	\$40,767
Dover	\$38,350	Dover	\$42,155
Manchester	\$39,250	Manchester	\$43,720
Rochester	\$39,982	Rochester	\$43,544
Oyster River	\$43,864	Oyster River	\$47,301
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*

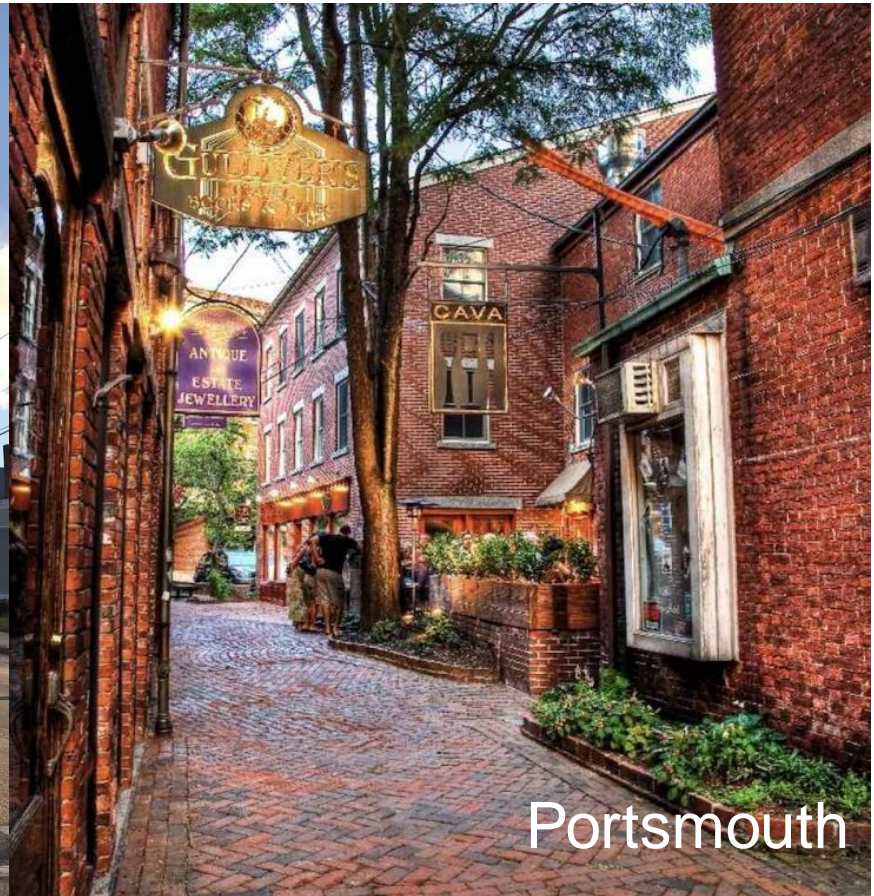


2021-22 School Tax Rate Variations: Timberlane Regional School District

	Equalized Value Per Pupil	Combined Education Tax Rate	Tax on \$300,000 Home
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



Current System Impedes Economic Development in Property-Poor Towns



Student Metrics at Somersworth High School Compared to NH Average

	Somersworth High School	NH State Average
Post Secondary Enrollment rate	42.9	52%
NHIAA Sports	29	19
Credits Required to Graduate	22.5	24.8
AP Test Takers (% of enrollment)	4.69	10.8%
2018-2021 SAT Score	968	1024
Graduation Rate	81.5	88%

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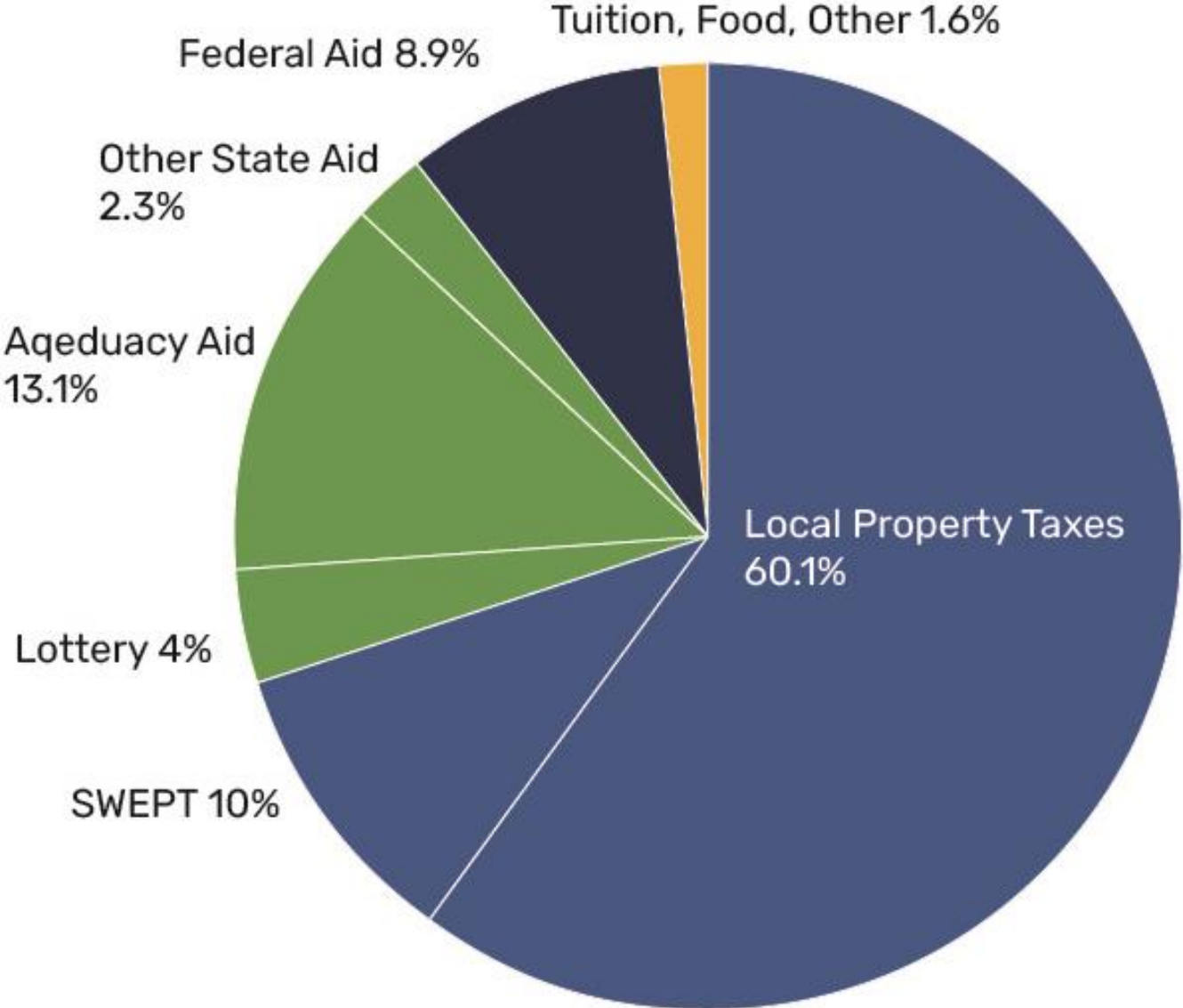
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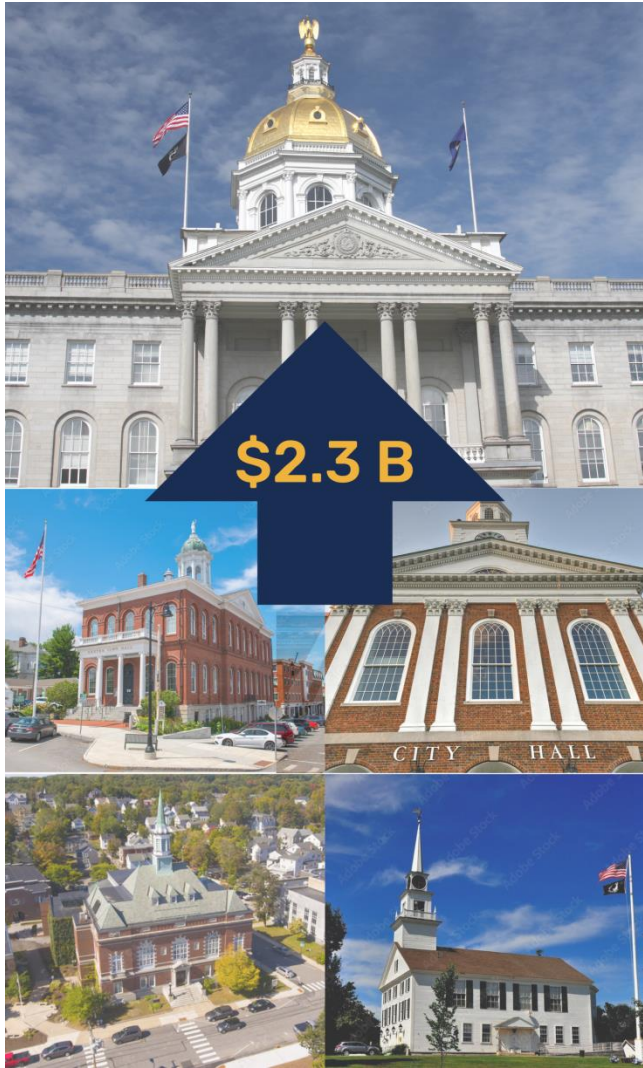
The Problem Lies with the Blue Portion of the Pie



The Heart of the Problem

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





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



AIR Report: Inequities Manifest in Outcomes

“The negative relationship between districts’ aggregated student outcomes and student poverty (proxied by FPR rates) is clear and strikingly linear. As district poverty rates increase, student outcomes decrease. This relationship holds even after accounting for other district factors that also may be related to poverty, such as special education rates, EL rates, and district size.”

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



New Adequacy Formula Passed in Budget

	Current Law	Governor	House	Final
Base Adequacy	\$3,866	\$4,700	\$4,000	\$4,100
Free & Reduced Price Lunch	\$1,933	\$2,500	\$2,100	\$2,300
Special Education	\$2,080	\$2,080	\$2,100	\$2,300
English Language Learner	\$756	\$756	\$1,000	\$800
3 rd Grade Reading	\$756	\$0	\$0	\$0

Key Takeaways from State Budget

- **Increased targeted aid by about \$30 million in FY 2024**
 - Expanded eligibility and amount of extraordinary needs grants that target funding based on income and equalized property values
- **Eliminated Stabilization Grants (\$157 million in FY23) and Relief Aid (\$17.5 million in FY23)**
- **Accelerated repeal of Interest and Dividends Tax**
 - Loss of ~\$135 million *per year* in state revenue
 - 52% of revenue came from 2.5% of filers with >\$200k in I&D Income



Other Key Takeaways from State Budget

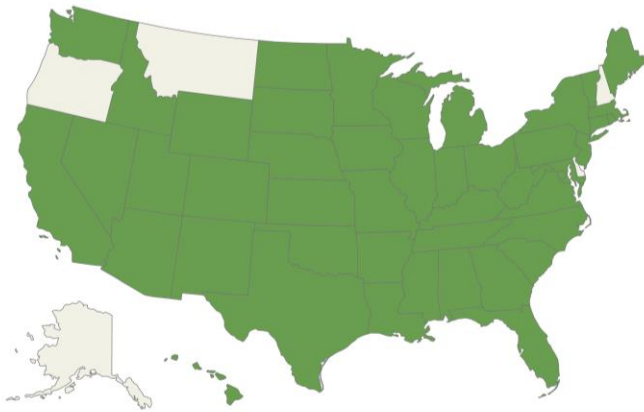
- **Hold Harmless grants to keep funding at 104% of amount towns would receive under current law (\$63M in FY24)**
 - Ensures no communities see decrease in funding for this budget, but these grants will phase out starting in FY 2026, impacting rural communities with high concentrations of students navigating poverty and communities with lower property values most dramatically.
 - Starting in FY 22, communities will see 20% reduction in hold harmless grants each biennium, phasing out to \$0 by 2034.
 - The largest recipients of hold harmless grants in FY 24 will be:
 - Derry \$6.27 million
 - Weare \$2.57 million
 - Litchfield \$2.08 million
 - Berlin \$1.92 million
 - Pembroke \$1.78 million
 - Raymond \$1.68 million



Multiple Approaches Available for Generating Additional State Revenue

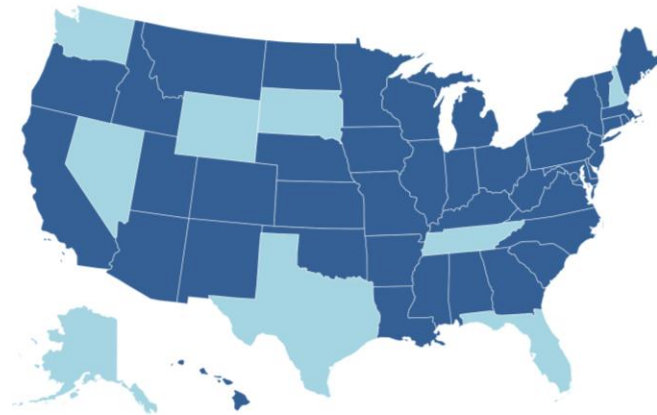
- **Restore prior levels / forms of taxation**
 - Return business tax rates to 2015 levels
 - Forestall elimination of the I&D tax
 - Reinstate estate/inheritance taxation
- **Extend current use of wealth taxation**
 - Institute a tax on capital gains
 - Establish a financial transactions tax
- **A true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

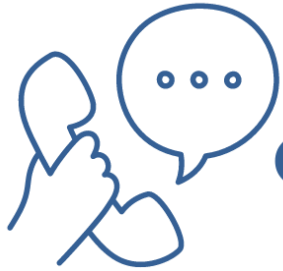


A Final Thought

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!**



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 a blurred background showing other students and a chalkboard. A dark blue rectangular overlay is positioned on the left side of the image, containing the text 'QUESTIONS?'.

QUESTIONS?

Business Taxes

STATE BUSINESS TAX RATE REDUCTIONS LED TO BETWEEN \$496 MILLION AND \$729 MILLION LESS FOR PUBLIC SERVICES

- **Some key points from NHFPI's report:**
 - “Recent State business tax revenue growth does not appear to have been spurred by tax rate reductions”
 - “No clear correlation exists between Business Profit Tax rates and employment, or overall economic growth relative to regional growth”
 - “Estimated forgone revenue from New Hampshire business tax rate reductions ranges from \$496 million to \$729 million from 2015 to 2022”
 - “Key research indicates policies targeted at supporting individuals and families with low and moderate incomes likely have a more significant positive effect on economic growth than reducing taxes on corporate profits”

Business Taxes

ISSUE BRIEF

August 2, 2023

STATE BUSINESS TAX RATE REDUCTIONS LED TO BETWEEN \$496 MILLION AND \$729 MILLION LESS FOR PUBLIC SERVICES

“An additional \$496 million to \$729 million in revenue could have eliminated the Statewide Education Property Tax in its current form for one or two years, which may have provided more effective economic stimulus for the New Hampshire economy than corporate tax rate reductions.”

Reform the Statewide Education Property Tax

- Currently, there are communities with **negative** local education tax rates used to offset SWEPT payments
- A true statewide property tax of about \$4.50 per thousand
 - This would pay for about \$10,000 in base adequacy (ConVal case), roughly \$900 million
- A true statewide property tax of about \$10 per thousand would raise the amount currently spent on public schools
 - This would **replace** current property taxes for education



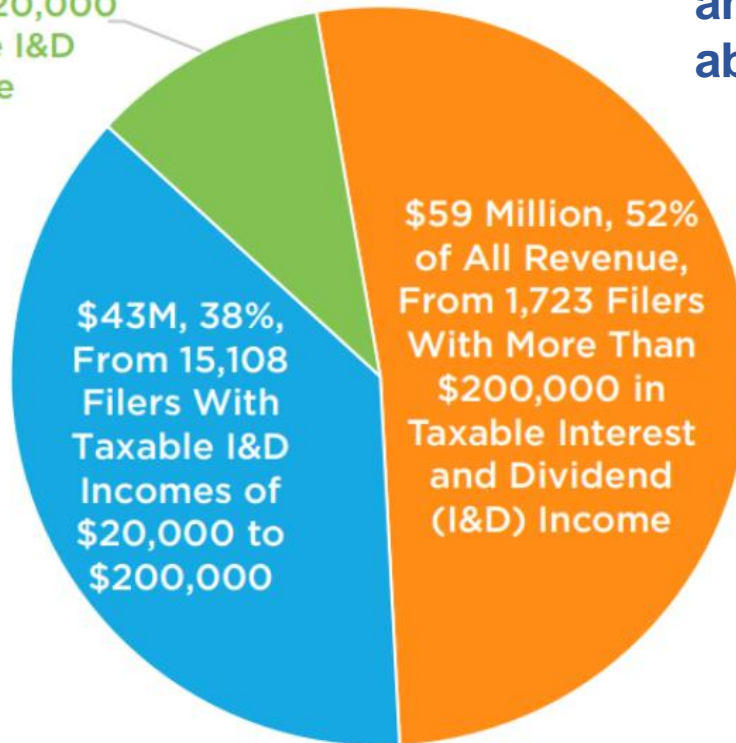
Dramatically expand the Low and Moderate Income Property Tax Relief Program

- In 2021, just 5,572 claims averaging only \$236 were granted
- In 2022 the total amount of relief provided for the entire state was only \$1.4 million
- In 2003, there were 27,207 claims granted (\$7.5 million)
- The average property tax bill for Granite Staters was about \$7,470 in 2021

NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX REVENUE BY THE TAXABLE INTEREST AND DIVIDEND INCOME OF FILERS

*Tax Year 2020, Only Taxable Interest, Dividend,
and Distribution Income Included*

\$12M, 10%, From
51,833 Filers With
Less Than \$20,000
in Taxable I&D
Income



***revenue loss for FY 24
and 25 is estimated to be
about 135 million per year**