

NH SCHOOL

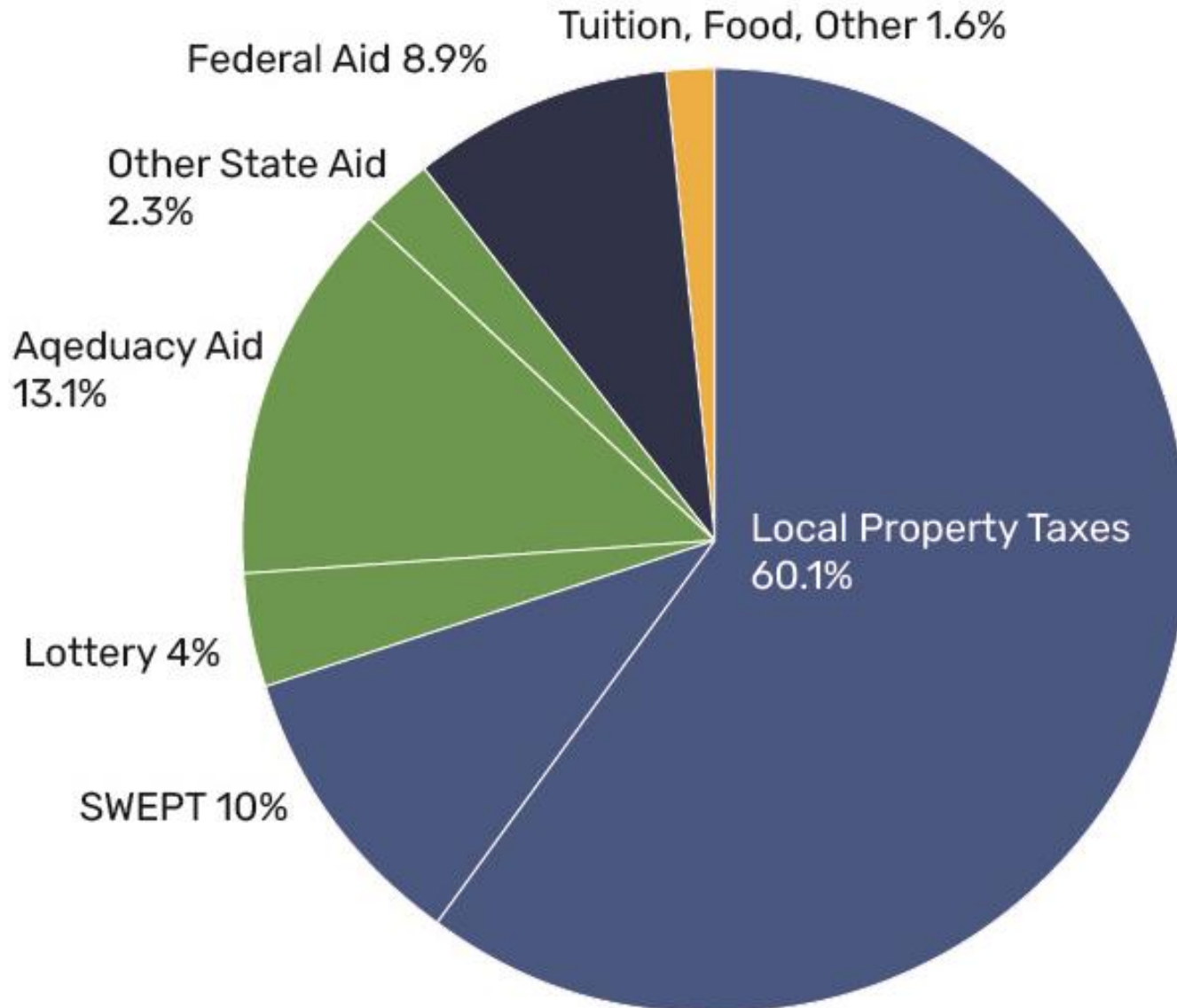
# Funding Fairness Project

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

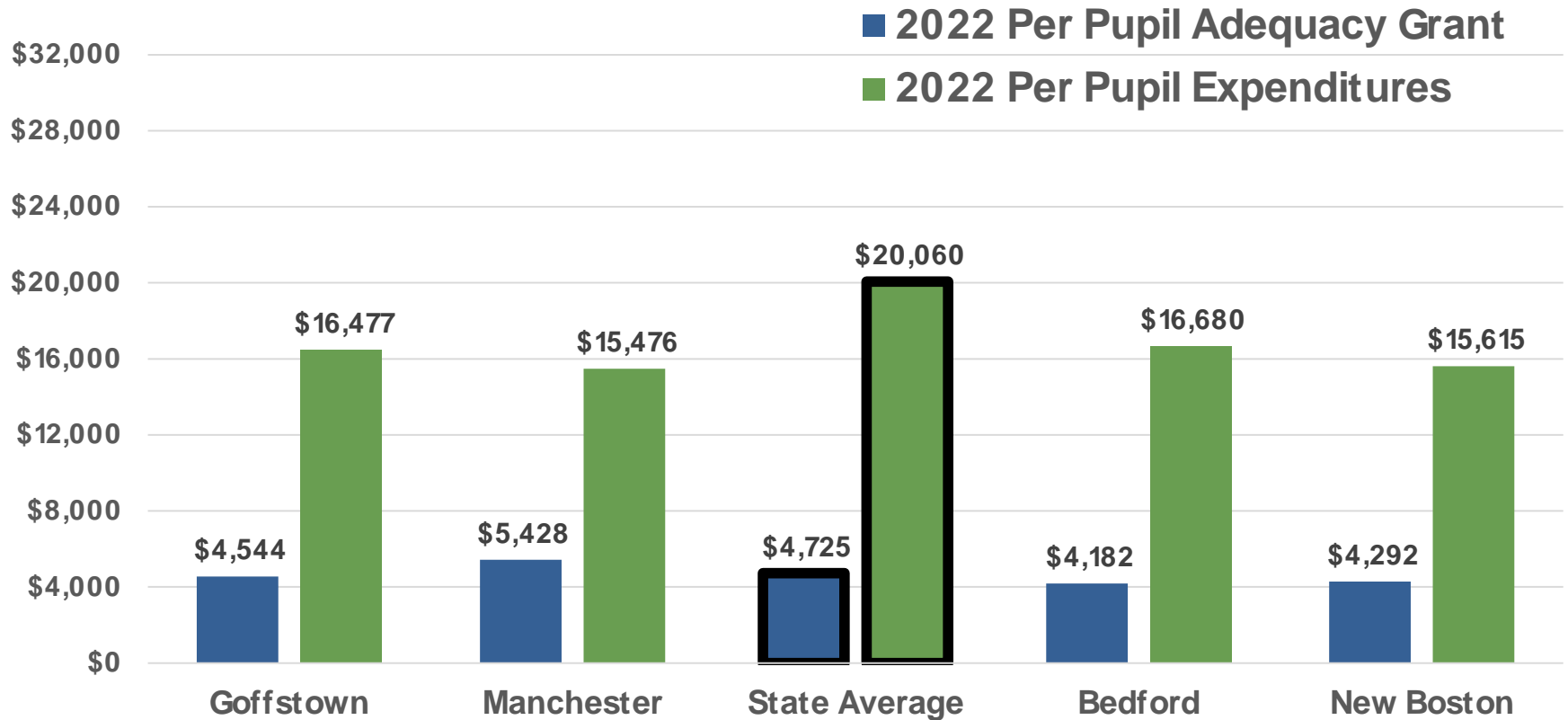
***Zack Sheehan, Executive Director***

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

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

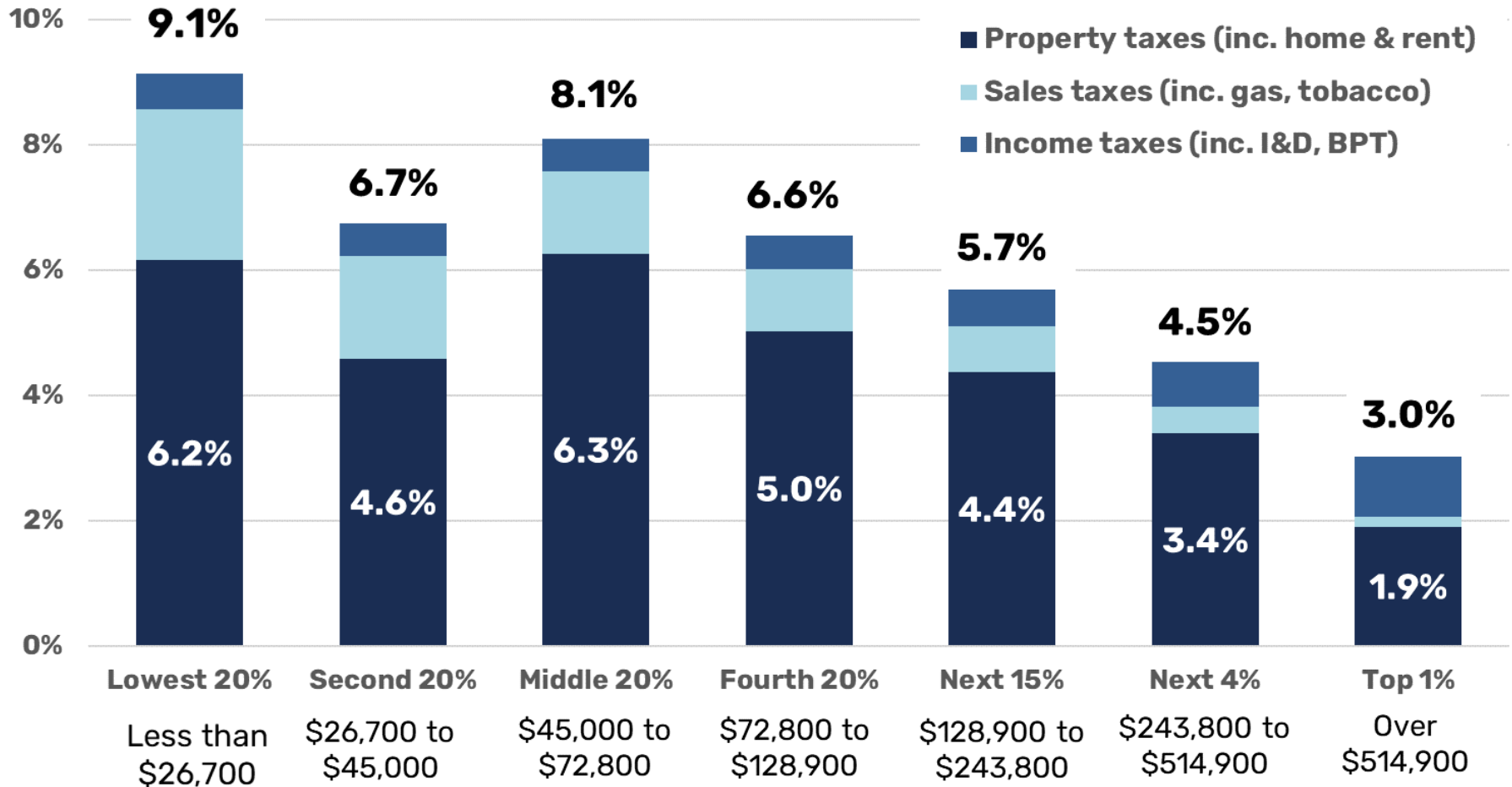


# Current State Adequacy Grants Fall Well Short of Costs Communities Face in Educating Children



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

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



# 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)

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### 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

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**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



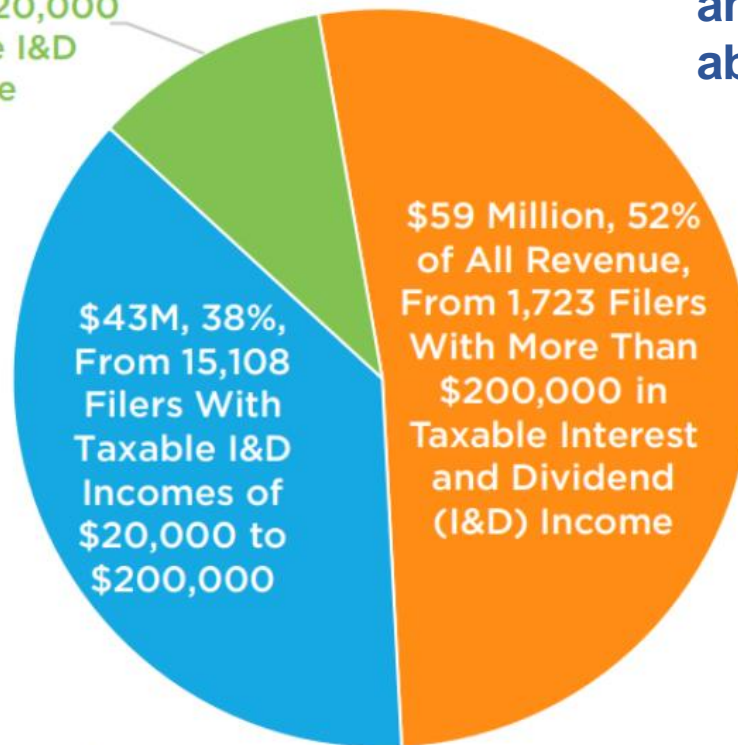
# **Dramatically expand the Low and Moderate Income Property Tax Relief Program**

- 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

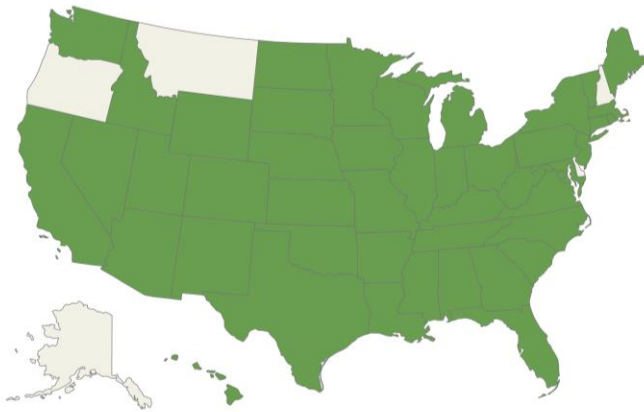
*Tax Year 2020, Only Taxable Interest, Dividend,  
and Distribution Income Included*

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

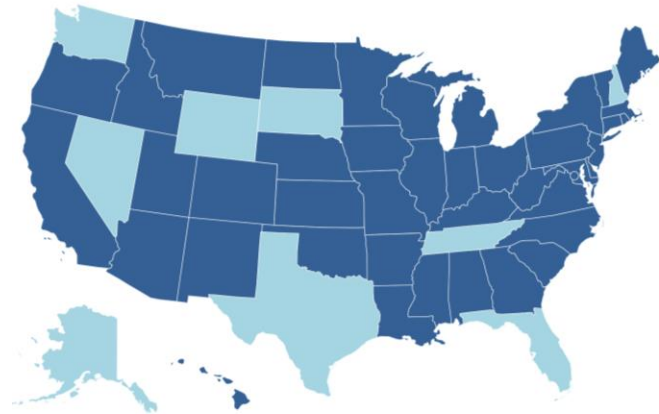


**\*revenue loss for FY 24  
and 25 is estimated to be  
about 135 million per year**

# Explore other forms of revenue that could address potential court rulings



Sales Taxes



Income Taxes

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

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





NH SCHOOL

# Funding Fairness Project

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603-496-5552

THANK  
YOU!

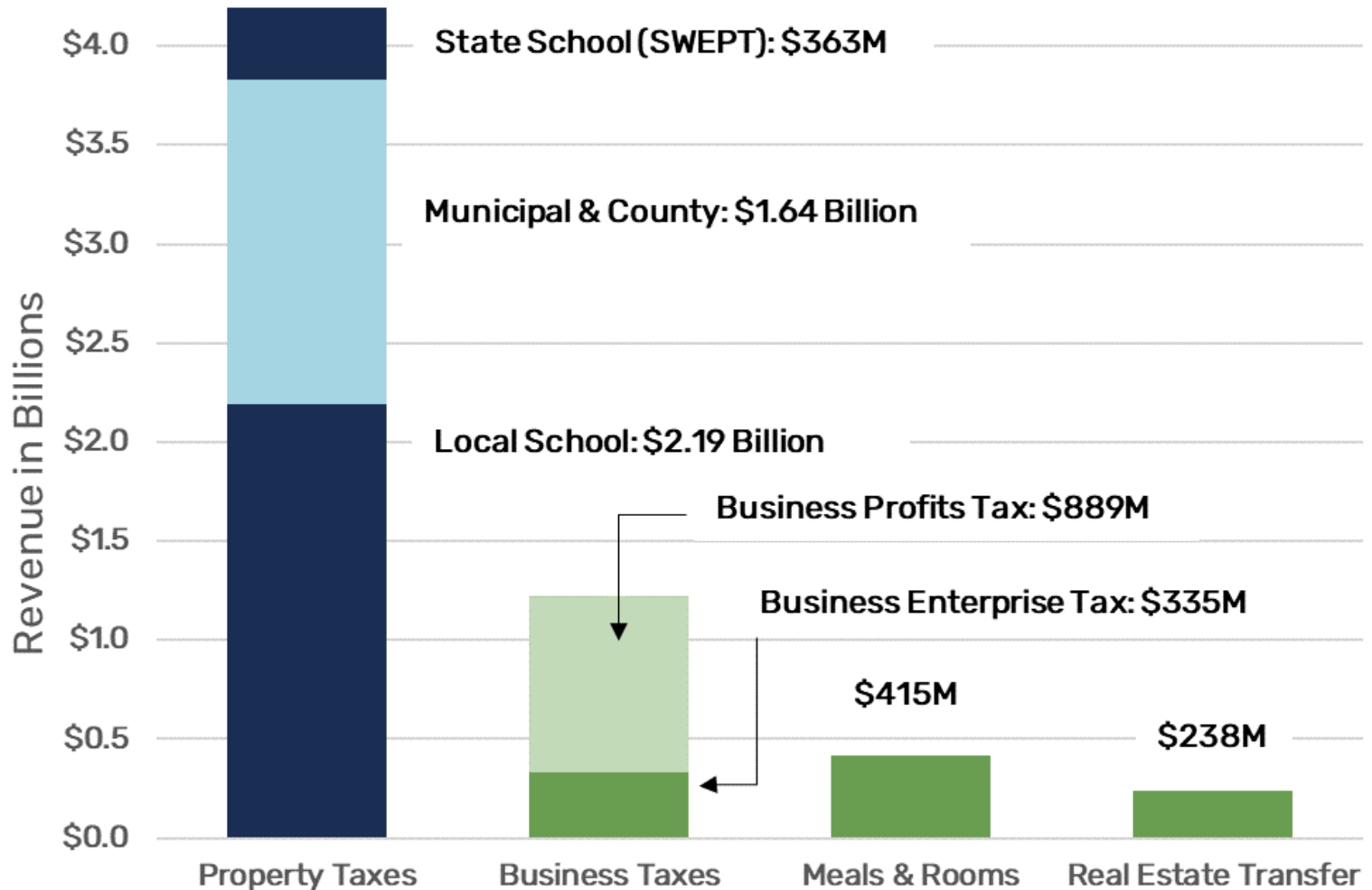


# New Adequacy Formula Passed in Budget

	<b>Current Law</b>	<b>Governor</b>	<b>House</b>	<b>Final</b>
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 <sup>rd</sup> Grade Reading	\$756	\$0	\$0	\$0

# The Property Tax is the Largest Tax in NH

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



# 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 FPRL 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

