

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.



Public High School A

- **78%** of 3rd graders are proficient or above in math and **71%** reading
- **97%** of students graduate
- **78%** of AP test takers score a 3 or above
- Teachers make an average of **\$85,592**
- Median household income is **\$91,915**
- Education property taxes are **\$4.70** per \$1,000 of value, resulting in a **\$1,645** on a \$350,000 home

Public High School B

- **40%** of 3rd graders are proficient or above in math and **36%** reading
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Portsmouth (A) compared to Somersworth (B)

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- Only 16 miles apart

2020 Commission to Study School Funding

“The state’s current system is inequitable from both student and taxpayer perspectives... 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.”

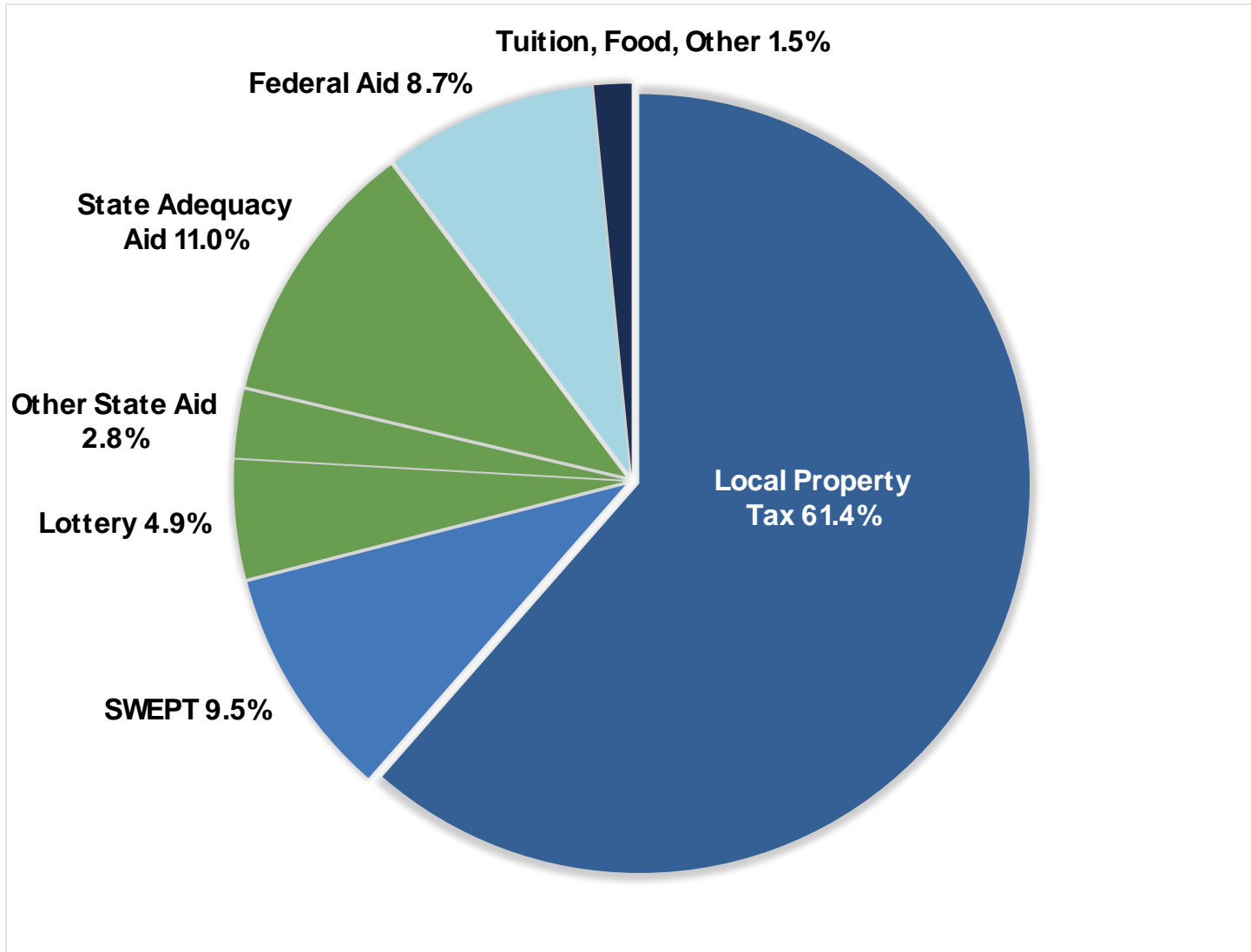
“The negative relationship between districts’ aggregated student outcomes and student poverty (proxied by FRPL rates) is clear and strikingly linear.”

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



NH Relies Overwhelmingly on Local Property Taxes to Fund Public Education

2022-2023 Revenue of NH School Districts - \$3.80 billion



State of NH Gets Sued in the 90s

Five School Districts

Claremont, Pittsfield, Lisbon Regional, Franklin, and Allenstown

Eight Taxpayers & Parents

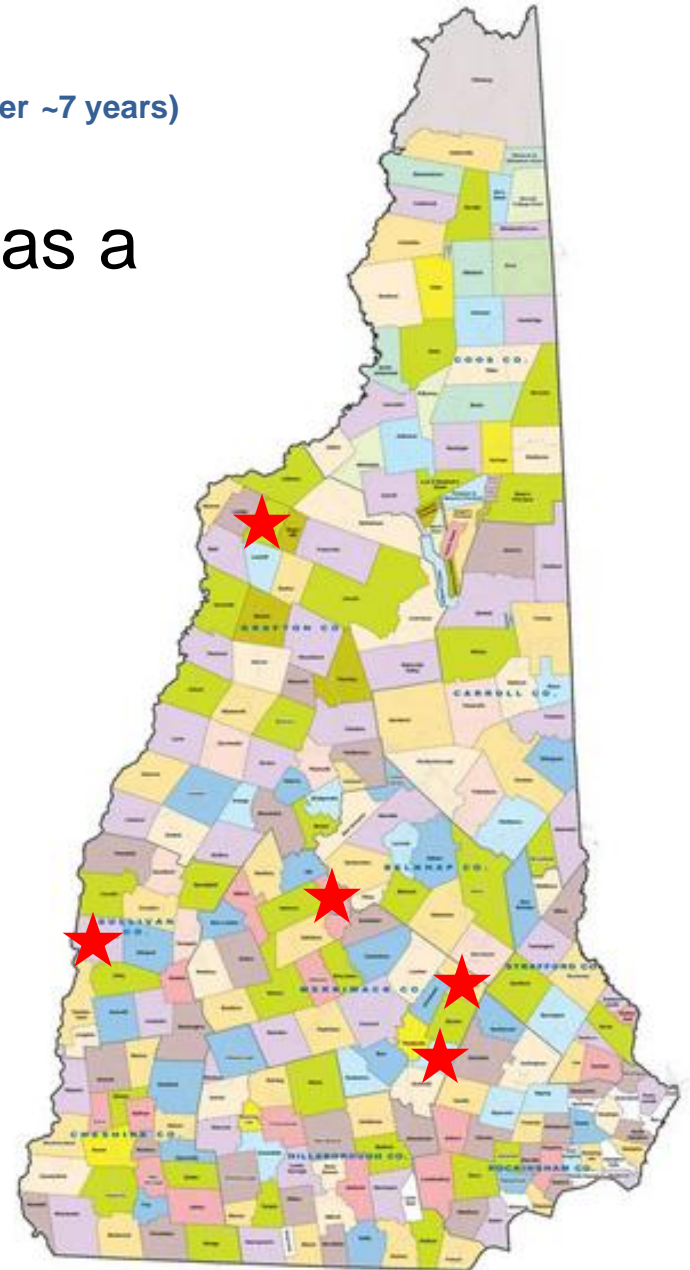
Five Students



Plaintiffs Win! (after ~7 years)

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 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



Reforms Following Claremont Rulings

Statewide Education Property Tax – SWEPT (\$6.04)

New “adequacy aid” funding from State

Local education property taxes **decreased** from \$17.68 in 1998 to \$7.22 in 1999. When combined with the new SWEPT rates, average total education property taxes **still decreased** to \$13.26.

20 Years Following Claremont

- Coalition of property wealthy towns lobbied to change SWEPT – only a local tax
 - Now, some locations have **negative** tax rates
- Courts **again** ruled legislature must define and pay for an adequate education in 2006 (Londonderry v. NH)
- From 2012-2022, the burden on local property tax payers to fund public education increased \$614 million (compared to the State's increase of \$47M)
- Multiple legislative commissions (2008, 2018, 2020) study the issue without significant reform

“Calculated Cost of an Adequate Education”

Every student receives **\$4,100** in “Base Adequacy”

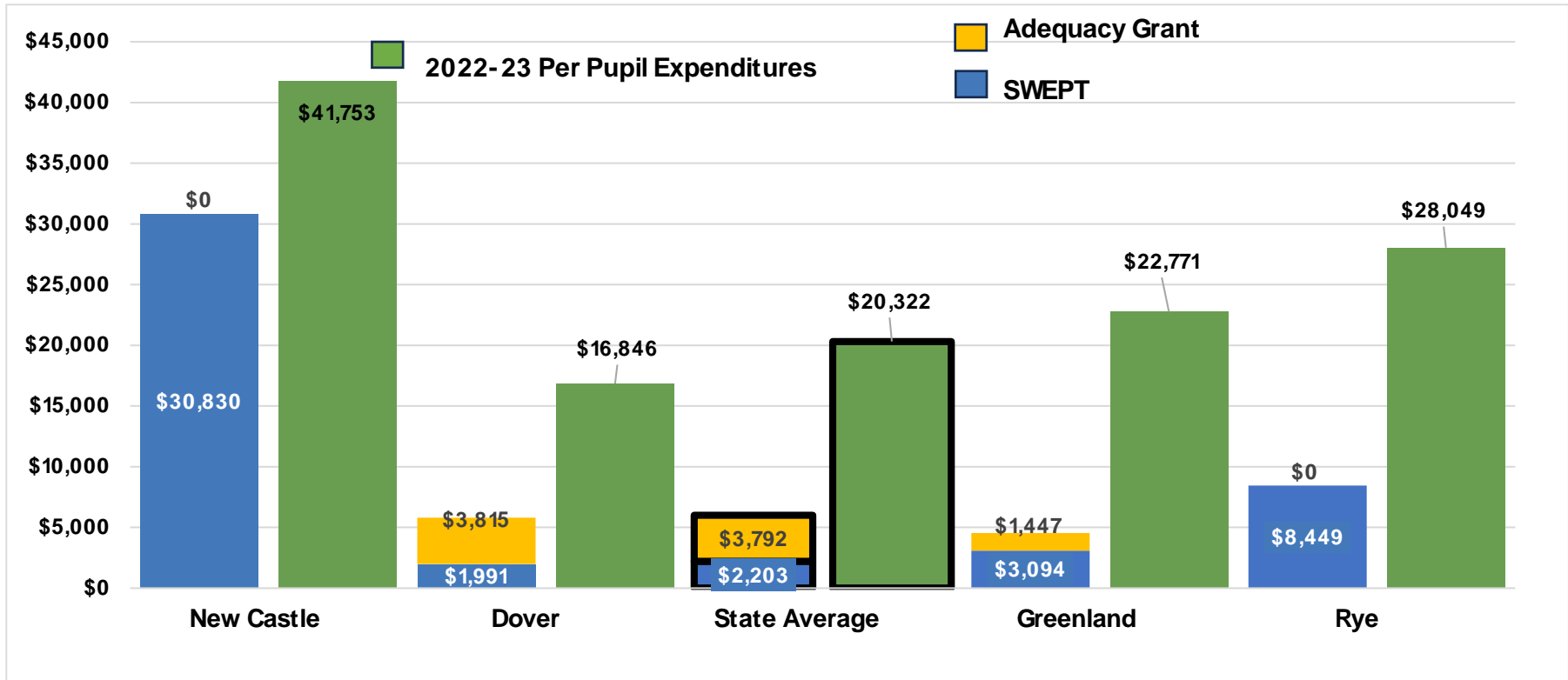
+ \$2,300 for each student eligible for free or reduced-priced lunch

+ \$800 for each student who is an English Language Learner

+ \$2,300 for each student receiving special education services

= \$5,148 per student on average

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



“Calculated Cost of an Adequate Education”

Hampton adequacy funding SFY 2023-2024

\$7,035,387 Calculated Cost of an Adequate Education

- \$7,156,310 Raised by SWEPT

+ \$0 Additional adequacy funds from the State

= \$ 120,923 Excess SWEPT that the town keeps

Hampton adequacy funding SFY 2024-2025*

*estimates

\$6,928,525 Calculated Cost of an Adequate Education

- \$6,854,153 Raised by SWEPT

+ \$74,372 Additional adequacy funds from the State

= \$0 Excess SWEPT that the town keeps

2023-24 Local Communities and Excess SWEPT

- **Greenland**

- Cost of Adequate Education: \$2,408,955
- Raised with SWEPT: \$1,672,024
- Total retained state tax: NA

- **Rye**

- Cost of Adequate Education: \$2,395,372
- SWEPT: \$4,581,240
- Total retained state tax: \$2,185,868

- **New Castle**

- Cost of Adequate Education: \$204,701
- SWEPT: \$1,604,891
- Total retained state tax: \$1,400,190

- **Newington**

- Cost of Adequate Education: \$323,972
- SWEPT: \$1,108,887
- Total retained state tax: \$784,915





Existing 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

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?

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



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Property Value	Tax Rate (Per Thousand)	Revenue Raised
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Comparing Communities

Town	Pupils	Equalized Value Per Pupil	Equalized School Tax Rate	Amount Raised Per Pupil
New Hampshire	157,405	\$1,884,285	8.55	\$16,111
Greenland	539	\$2,688,018	7.68	\$20,644
South Hampton	107	\$2,307,122	10.47	\$24,156
Rye	546	\$7,011,575	3.59	\$25,172
New Castle	47	\$25,055,786	1.21	\$30,318
Newington	69	\$18,464,875	1.81	\$33,421
Seabrook	954	\$6,856,691	5.03	\$34,489
Hampton	1,444	\$6,190,405	6.02	\$37,266
North Hampton	421	\$6,756,512	6.18	\$41,755
Hampton Falls	289	\$4,097,702	10.46	\$42,862



Which Home Has the Larger Property Tax Bill?



Walk to Plaice Cove from this like-new 4-bedroom home. Tucked back off of Ocean Blvd in a sought-after location this home was built in 2014 & has been immaculately maintained. Enter through the large mudroom room, with plenty of space for winter or summer gear. The kitchen is open concept with features including a gas stove, island w/bar seating for 4, soapstone countertops & and tile backsplash.



So much charm and character in this 17th century home. Truly warm and inviting on a private one acre country wooded lot. This home features newly renovated kitchen with granite countertops, stainless steel appliances, beams and vaulted ceilings that lend to a spacious open feeling. All leading to a screened porch and large deck. Generous sized rooms, two to three bedrooms and attached guest suite.



Which Home Has the Larger Property Tax Bill?



Hampton

2023 market price: \$1,049,000
2023 assessed value: \$591,800
2022 Education Tax Rate: \$6.02
(Includes SWEPT)

2023 school property tax: **\$3,562**



Brentwood

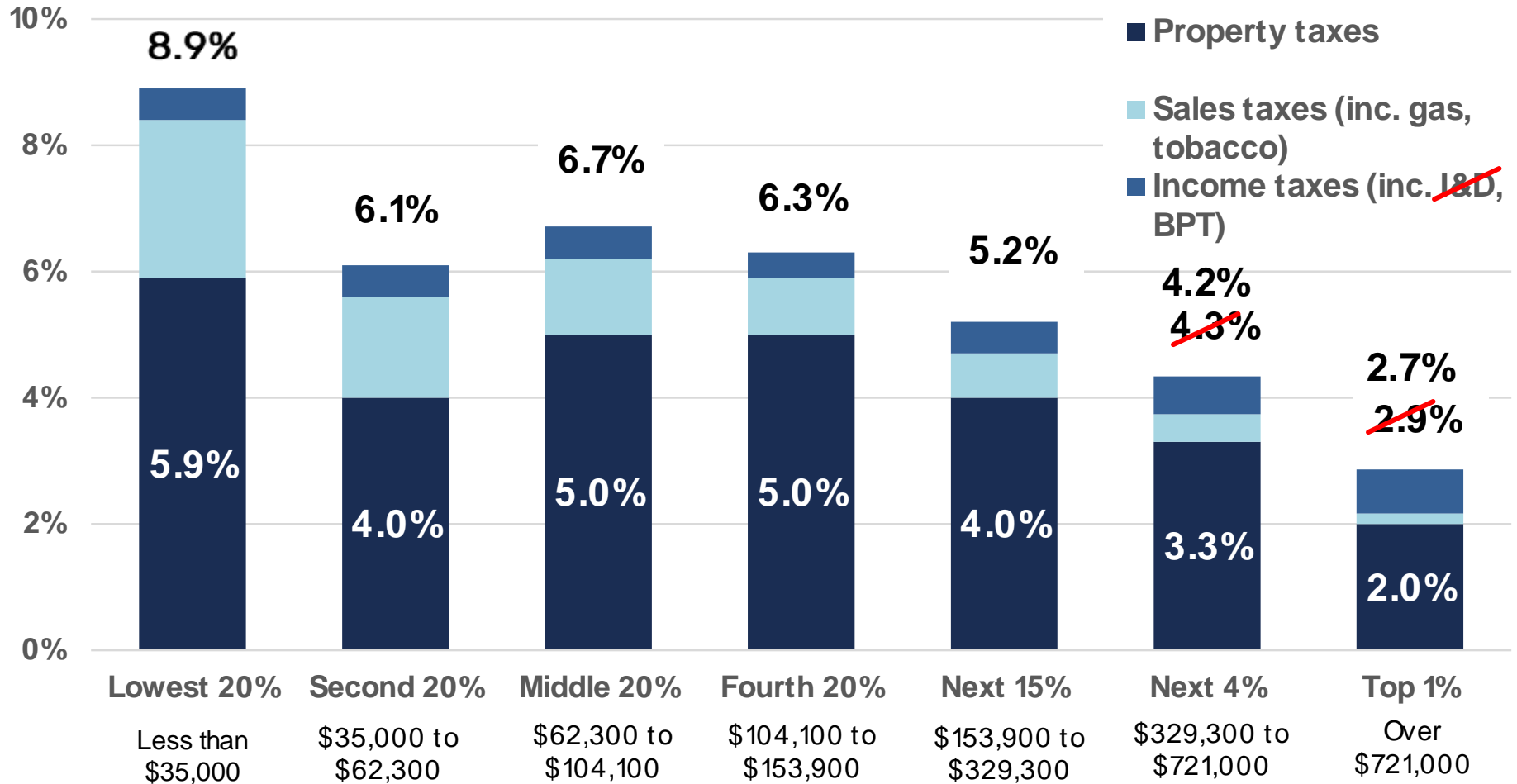
2023 market price: \$699,000
2023 assessed value: \$400,600
2022 Education Tax Rate: \$12.29
(Includes SWEPT)

2023 school property tax: **\$4,923**

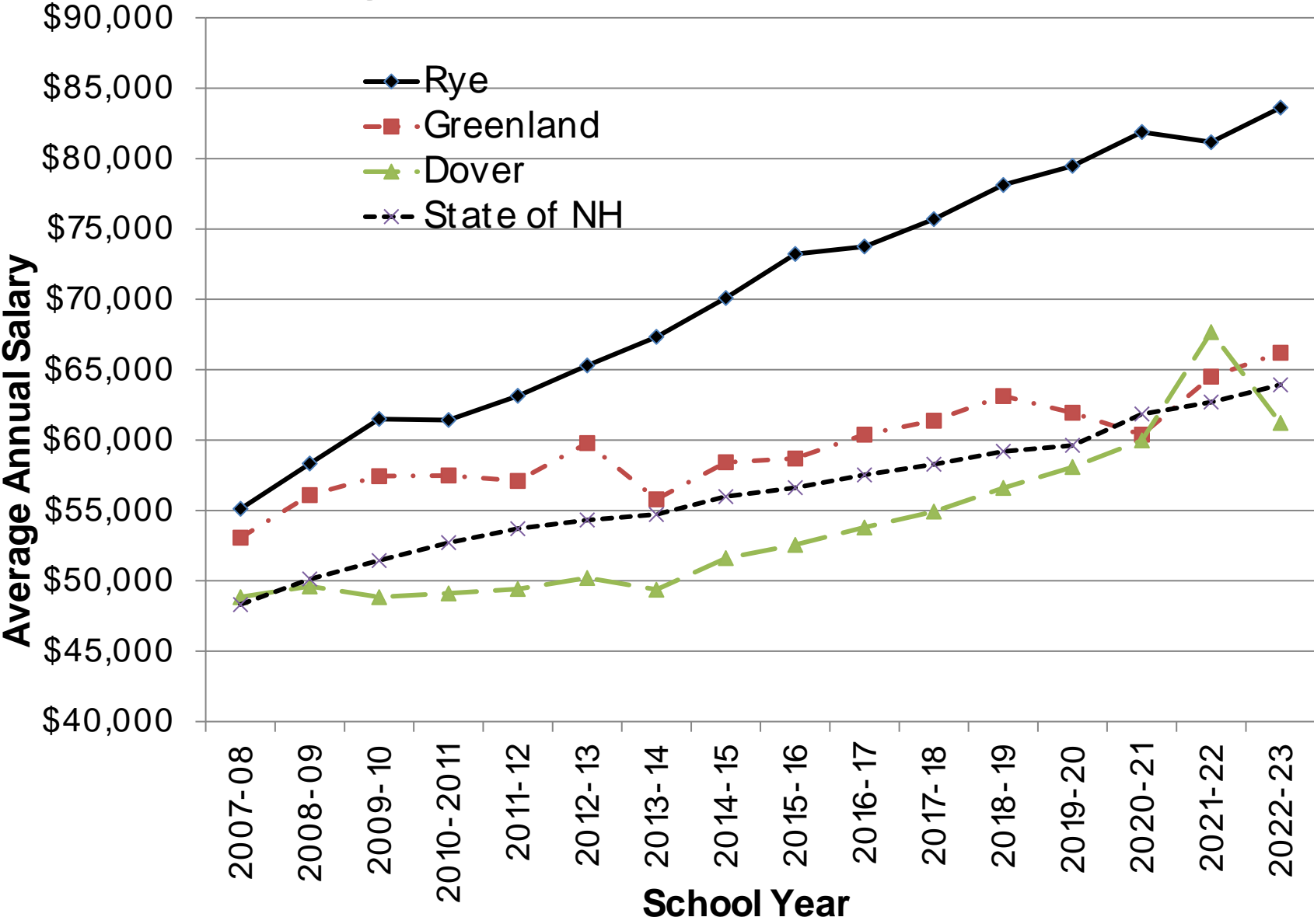


Property Tax Reliance Adds to Regressivity of New Hampshire's Tax System

Taxes as a Share of Income, by Income Group, 2024



Average Teacher Salary 2007-08 to 2022-23



Portsmouth (A) compared to Somersworth (B)

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State of NH Gets Sued AGAIN

ConVal v. State of NH

Started by the Contoocook Valley School District (ConVal) in 2019. They argue that the amount of adequacy money is insufficient to provide an opportunity for an adequate education.

Other school districts representing 25% of all public school students joined: Winchester, Mascenic, Monadnock, Fall Mountain, Claremont, Newport, Hillsboro-Deering, Grantham, Oyster River Cooperative, Manchester, Windham, Derry Cooperative, Hill, Mascoma Valley Regional, Nashua, Lebanon, Hopkinton, and Plainfield.

ConVal v. State of NH Ruling

"What is the base cost to provide the opportunity for an adequate education 239 years after that fundamental right was ratified in our Constitution? The short answer is that the Legislature should have the final word, but the base adequacy cost can be no less than **\$7356.01 per pupil per year and the true cost is likely much higher than that.** At a minimum this is an increase of \$537,550,970.95 in base adequacy aid to New Hampshire Schools. **Thus, the current allocation of \$4100 per pupil is unconstitutional.**"

-Decision in ConVal v. State of New Hampshire

ConVal v. State of NH Ruling

- **Why \$7,356 per pupil?**
 - **\$3,981** for Teachers
 - **\$901** for principals, administrative assistants, guidance counselors, librarians, technology coordinators, and custodians
 - **\$430** for instructional material, technology, and professional development
 - **\$1,000** for facilities operation and maintenance
 - **\$750** for transportation and **\$294** for nurse services

"In total, these conservative choices and overcorrections demonstrate that a base adequacy aid figure of \$7,356.01 would in actuality be far too low and would likely not survive scrutiny."

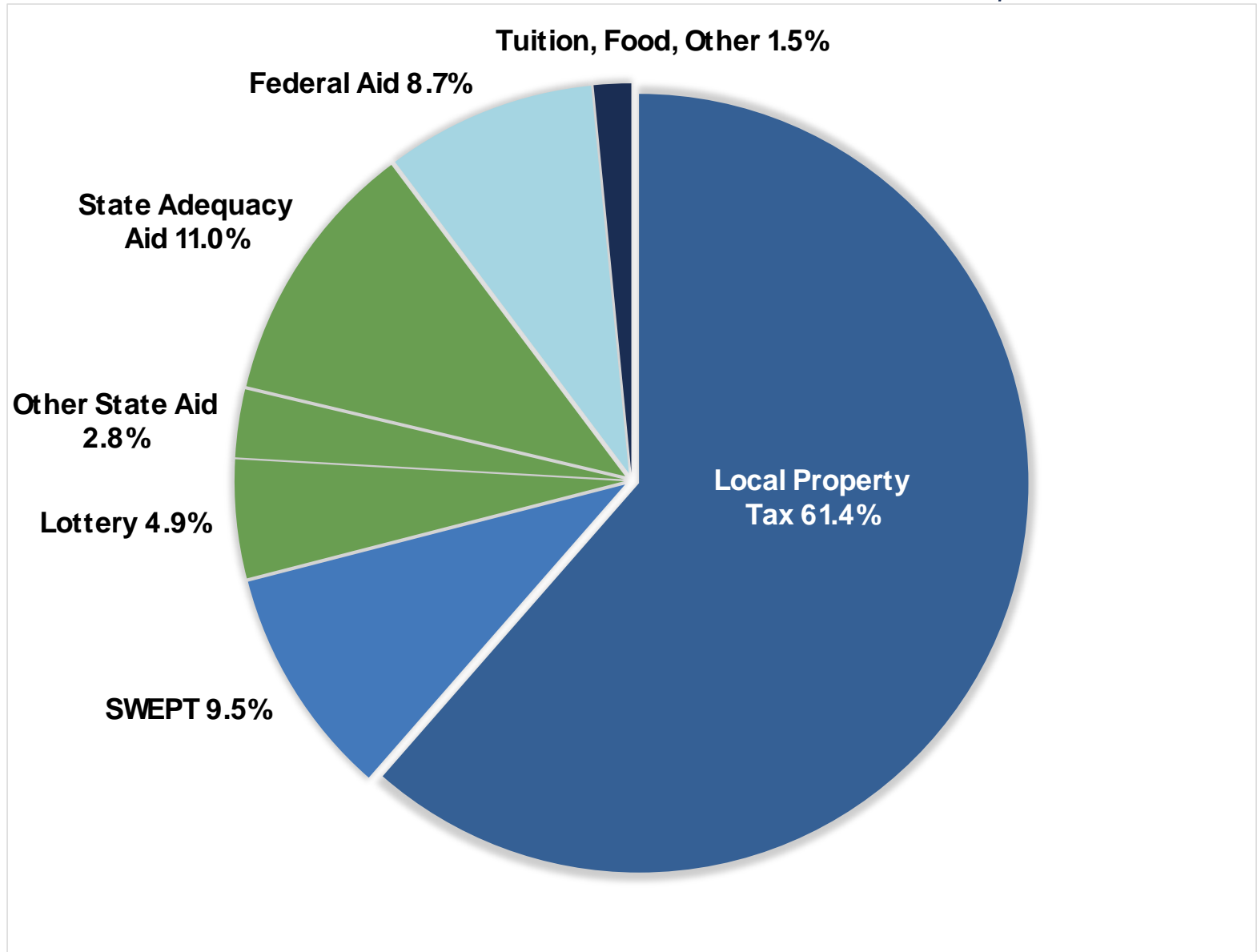
ConVal v. State of NH Ruling

"The State presented no evidence to justify the current base adequacy amount. As predicted by the Court in its prior order on summary judgment, the evidence at trial overwhelmingly established that no school could provide the opportunity for an adequate education if it had to rely solely on the base adequacy aid from the State."

-Decision in *ConVal v. State of New Hampshire*

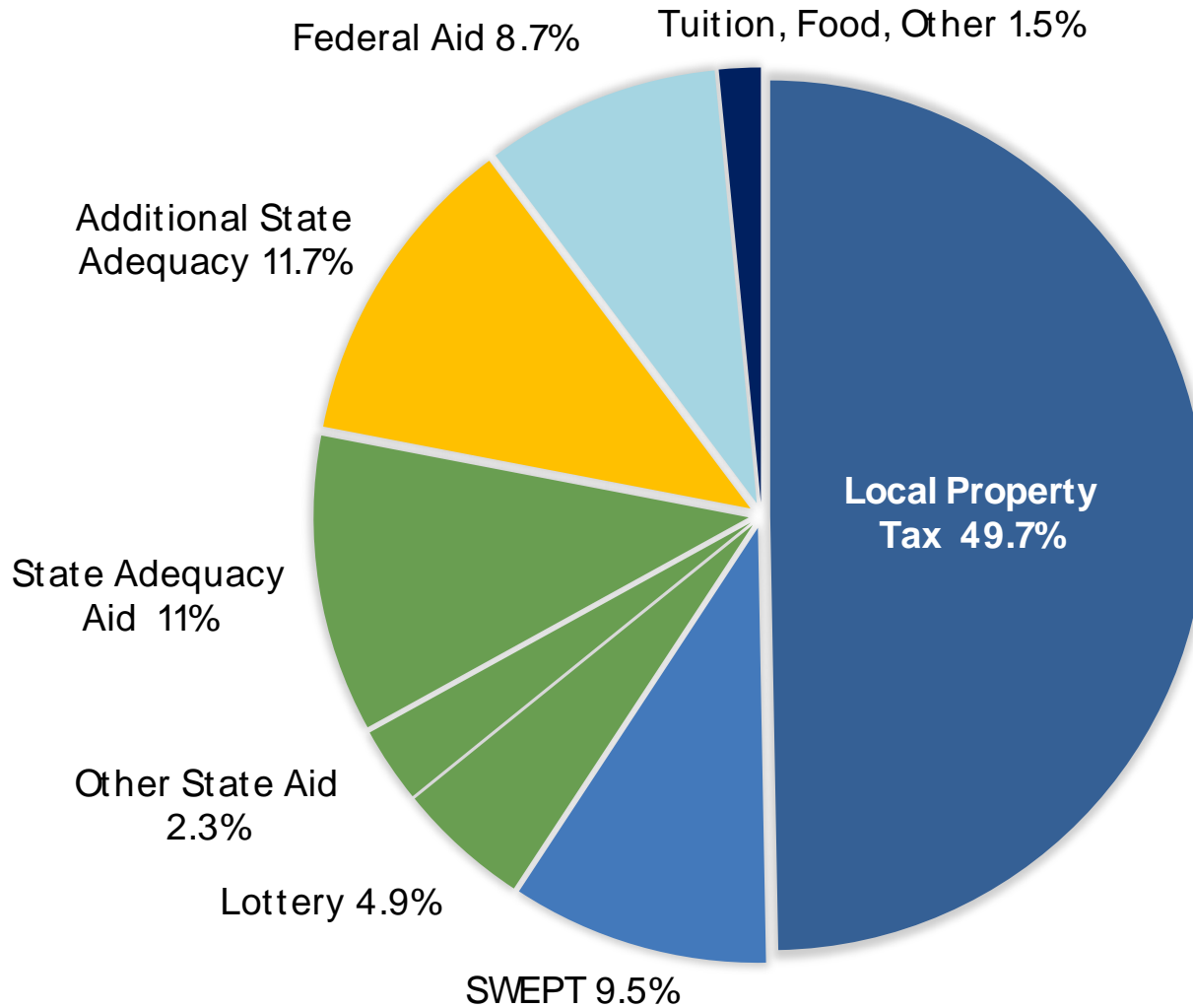
Impact of ConVal Ruling on School District Revenue

2022-2023 Revenue of NH School Districts - \$3.80 billion



Impact of ConVal Ruling on School District Revenue

Same revenue – reduced reliance on local taxes



Possible Revenue Sources

Some revenue sources that could be used to fill \$537m

- Interest and Dividends Tax ~\$135 million
- Additional true SWEPT of about \$2.03 per \$1,000
- Return Business Taxes to 2015 Levels
 - According to analysis done by the NH Fiscal Policy Institute, “the State lost between \$496 million and \$729 million in revenue” between 2015 and 2022 due to cuts in businesses taxes.
- "...the Legislature should have the final word, but the base adequacy cost can be no less than **\$7356.01 per pupil per year** and the true cost is likely much higher than that.“ - Decision in *ConVal v. State of New Hampshire*

and The State Gets Sued AGAIN

Rand v State of NH (2022)

Group of taxpayers from Plymouth, Newport, Penacook, and Hopkinton claim that their rights are being violated due to non-uniform tax rates.

Steve Rand at his family's hardware store in Plymouth, NH.





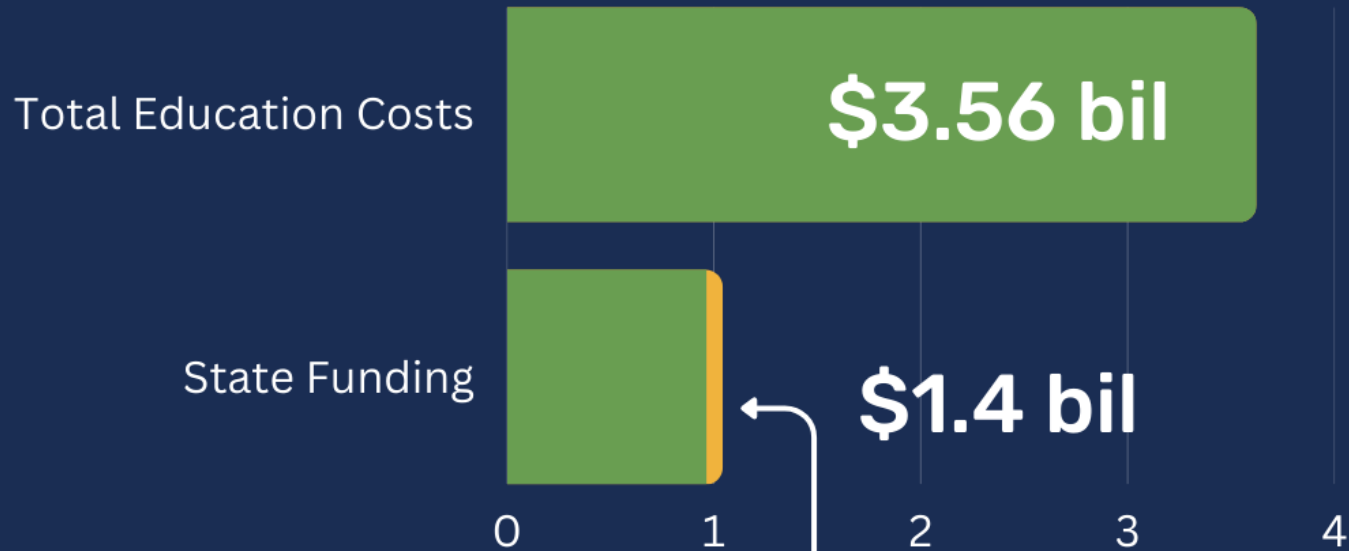
Rand v. State of NH

- Argues that because local property taxes used to fund the bulk of the State's funding obligation for public education are **not** uniform in rate, that is a violation of standard defined in the Claremont rulings.
- The plaintiffs challenge both base adequacy aid and differentiated aid, contending that the State's obligation should be closer to average spending in the state (roughly \$18,400 plus transportation when filed).

Rand v. State of NH Ruling on Preliminary Injunction Motion

1. The State allowing municipalities to retain excess SWEPT revenues is unconstitutional.
 - Currently, 52 municipalities retain excess SWEPT, and are estimated to retain \$26 million this year.
2. The NH Department of Revenue Administration approving negative local education tax rates to offset the payment of SWEPT is unconstitutional.
 - In 2022, 19 municipalities had negative local education tax rates, resulting in only generating \$239,464 from \$282.7 million in property value.

FY 2024 Estimated Education Funding



Orange represents the increase in funding in this budget compared to the previous formula, about \$77.6 million



2024 Legislation – Funding Changes

- **HB 1583** – increase base adequacy to \$10,000
- **HB 1656**– increase special education adequacy grant to \$27,000 per student
- **HB 1670**– state pays for all special education costs
- **HB 1586**–changes to adequacy formula, SWEPT, and property tax relief in line with Commission to Study School Funding recommendations



2024 Legislation – Votes on 2/22/24

- **HB 1583** – ~~increase base adequacy to \$10,000~~
 - **Amended:** ~\$64M in FY24 & \$34M in FY25
- **HB 1656**– ~~increase special education adequacy grant to \$27,000 per student~~
 - **Amended:** ~\$35M in FY 24
- ~~**HB 1670**– state pays for all special education costs (IS)~~
- **HB 1586**–changes to adequacy formula, SWEPT, and property tax relief in line with Commission to Study School Funding recommendations
 - **Recommended to Interim Study**



2024 Legislation – Tax Reform

- **HB 1686**– Changes to SWEPT to no longer allow negative education property taxes or excess SWEPT
- **HB 1482**– reinstates the Interest and Dividends tax
- **HB 1422** – reduces state revenues by \$374 million a year



2024 Legislation – Tax Reform

- **HB 1686**– Changes to SWEPT to no longer allow negative education property taxes or excess SWEPT
 - No changes, bipartisan split vote in committee
- **HB 1482**– reinstates the Interest and Dividends tax
- **HB 1422** – reduces state revenues by \$374 million a year
 - Recommended to Interim Study



Summary

- Neither taxpayers nor students are treated equitably or fairly.
- The problem is getting worse.
- **Over \$2 Billion** is downshifted to local property tax payers each year.
- The current system is unconstitutional.
- The solution lies with state level lawmakers, but we need to engage with them to push for change and progress.



What Actions Can You Take?

- Talk to your legislators
- Testify on legislation
- Can't testify in person? Use our advocacy tools to email testimony
- Share our content on social media
- Write letters to the editor
- Talk to your family, friends, and neighbors
- Subscribe to our newsletter to stay up to date with school funding news and ways to get engaged.



A Final Thought

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

