

NH SCHOOL

# Funding Fairness Project

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

*Noah Telerski, Communications Manager  
John Tobin, Board Member*

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# 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 3<sup>rd</sup> 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 3<sup>rd</sup> graders are proficient or above in math and **36%** reading
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## Portsmouth (A) compared to Somersworth (B)

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- Education property taxes are **\$11.24** **\$4.70** per \$1,000 value, resulting in a **\$3,934** **\$1,645** on a \$350,000 home
- 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.”*

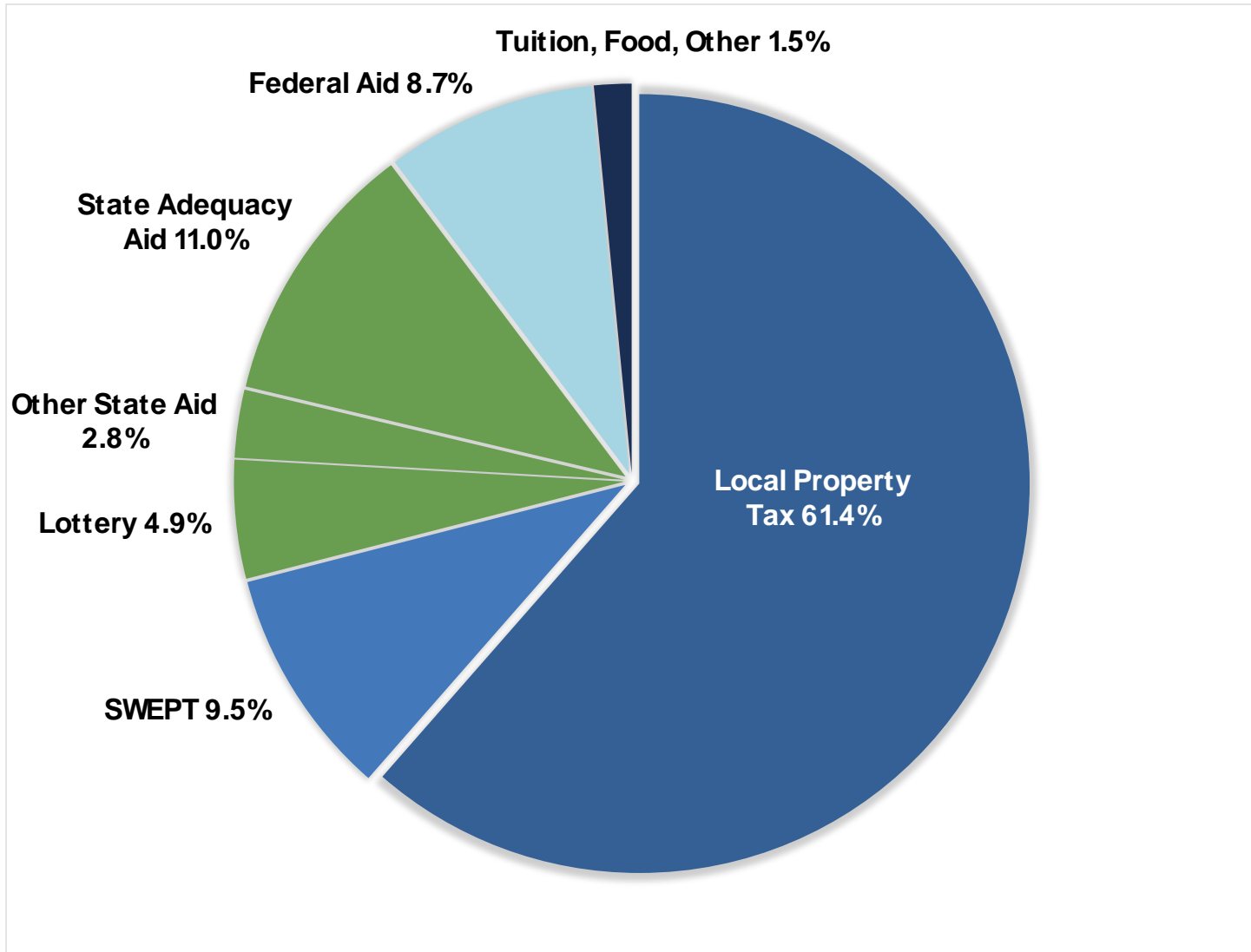
*“The negative relationship between districts’ aggregated student outcomes and student poverty (proxied by FRPL rates) is clear and strikingly linear.”*

*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

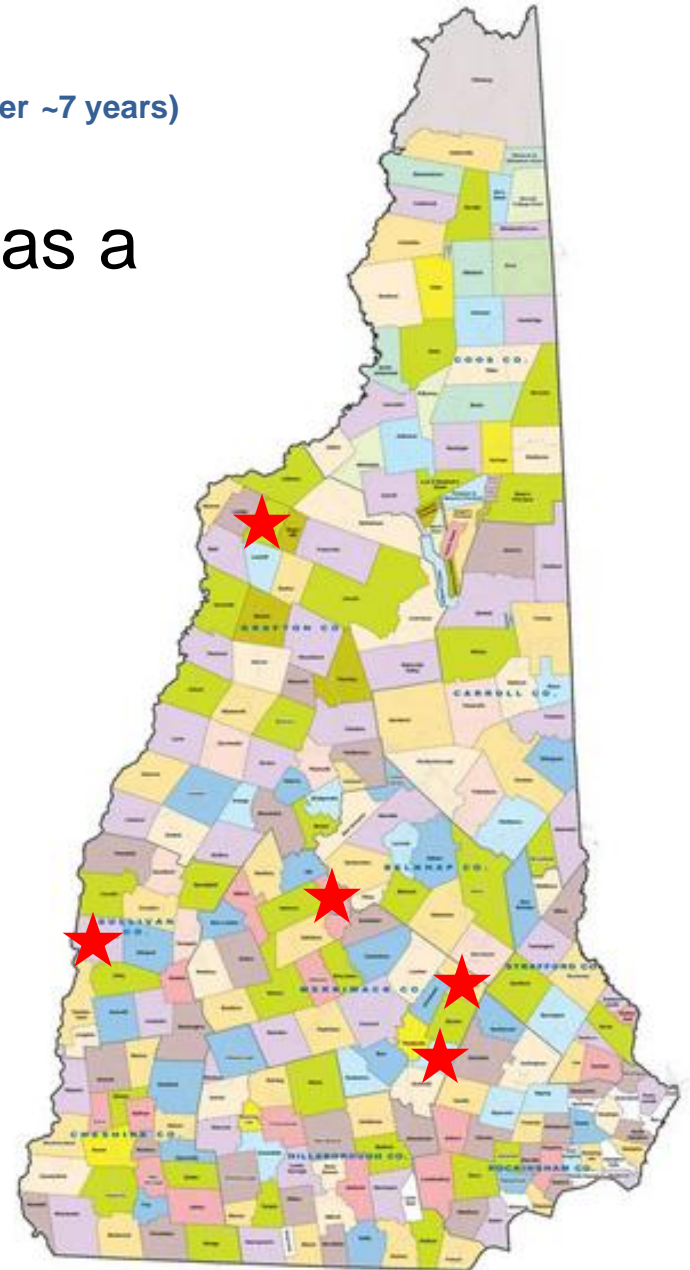
## Five Students



# 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”

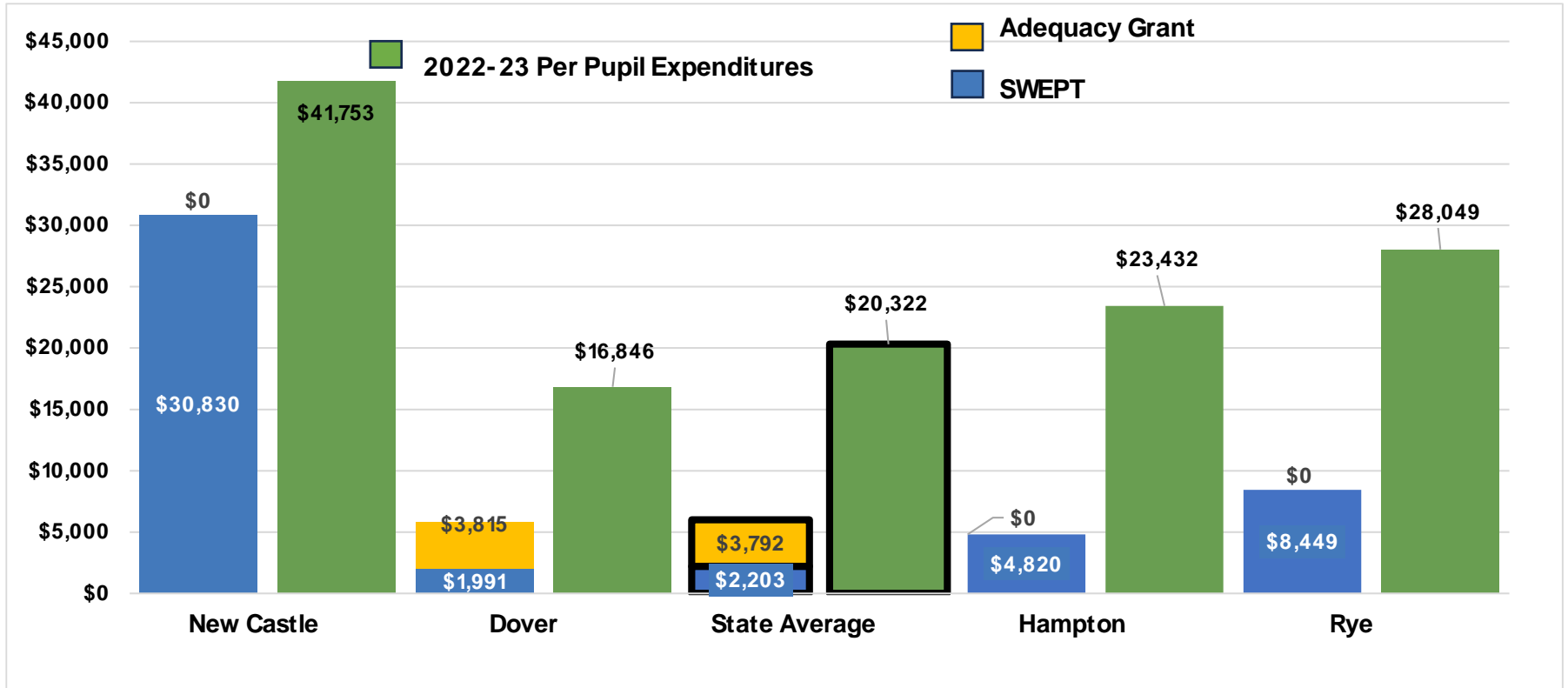
**+ \$2,300** for each student eligible for free or reduced-priced lunch

**+ \$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 8<sup>th</sup> 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



## Role of Property Taxes & Resulting Inequities

It's simple math.

Property Value	Tax Rate (Per Thousand)	Revenue Raised
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\$400,000	<b>\$25.00</b>	\$10,000



## Comparing Communities

Town	Pupils	Equalized Value Per Pupil	Equalized School Tax Rate	Amount Raised Per Pupil
<b>New Hampshire</b>	<b>157,405</b>	<b>\$1,884,285</b>	<b>8.55</b>	<b>\$16,111</b>
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

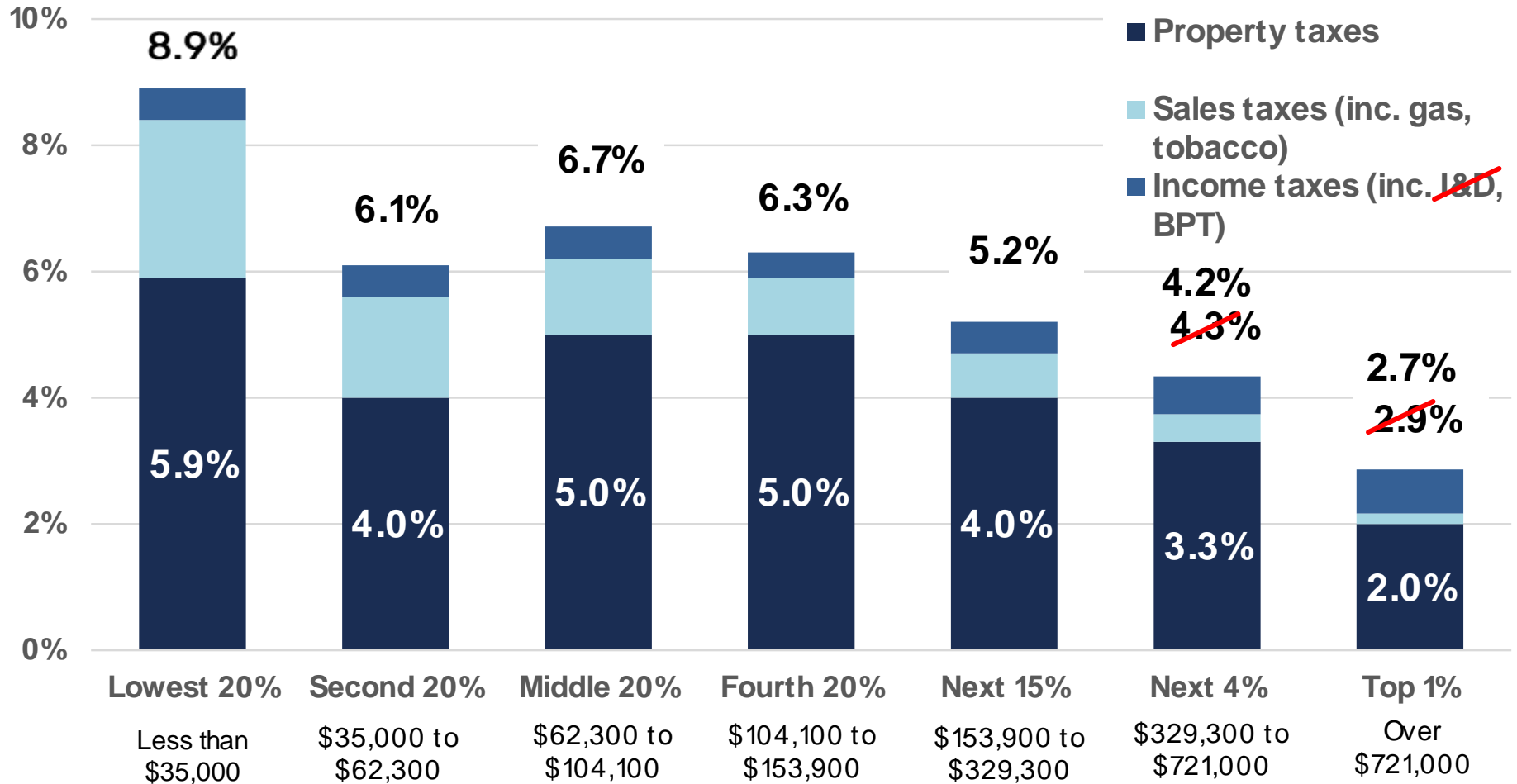
2023 market price: \$699,000  
2023 assessed value: \$400,600  
2022 Education Tax Rate: \$12.29  
(Includes SWEPT)

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

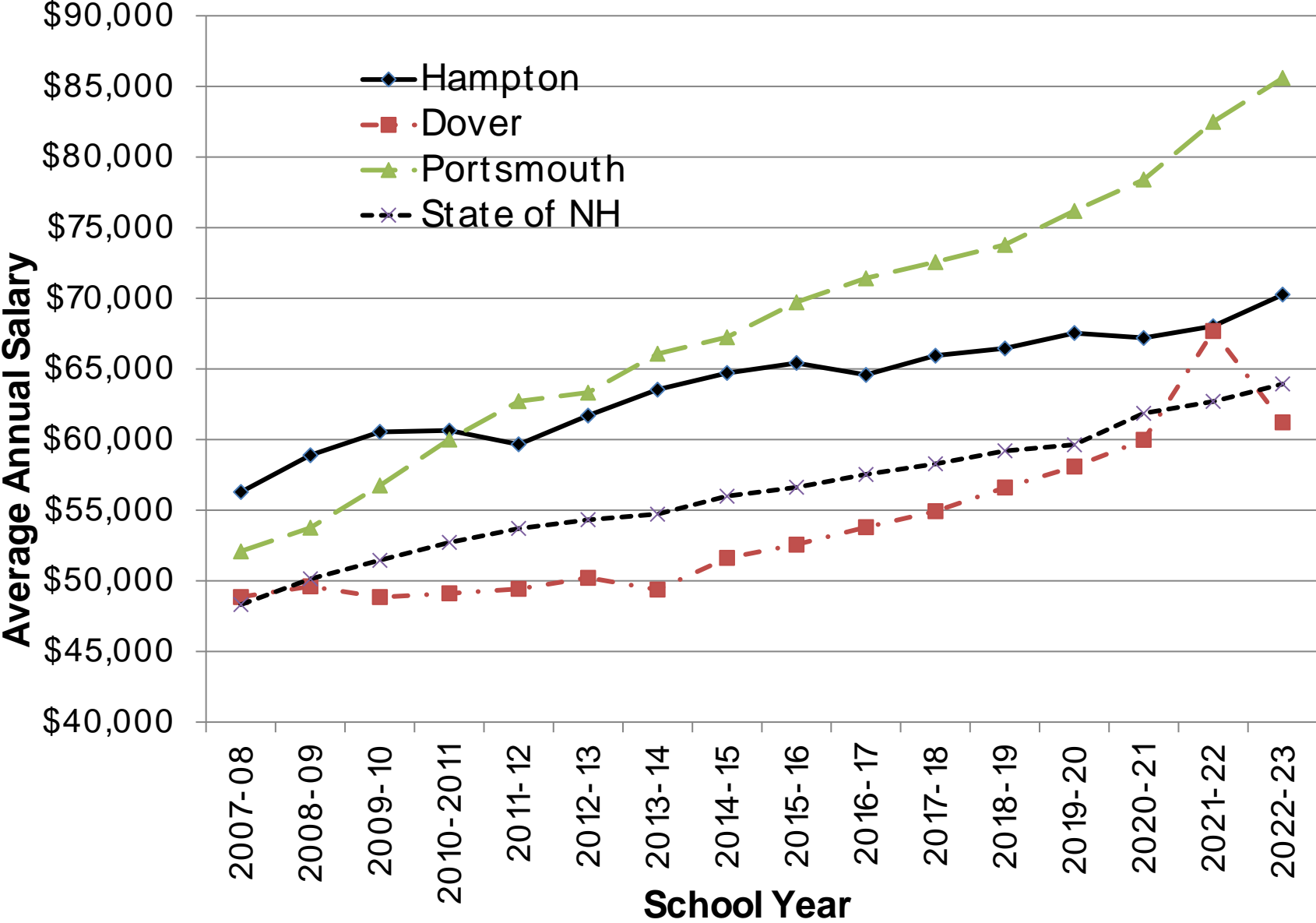


# Property Tax Reliance Adds to Regressivity of New Hampshire's Tax System

*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."***

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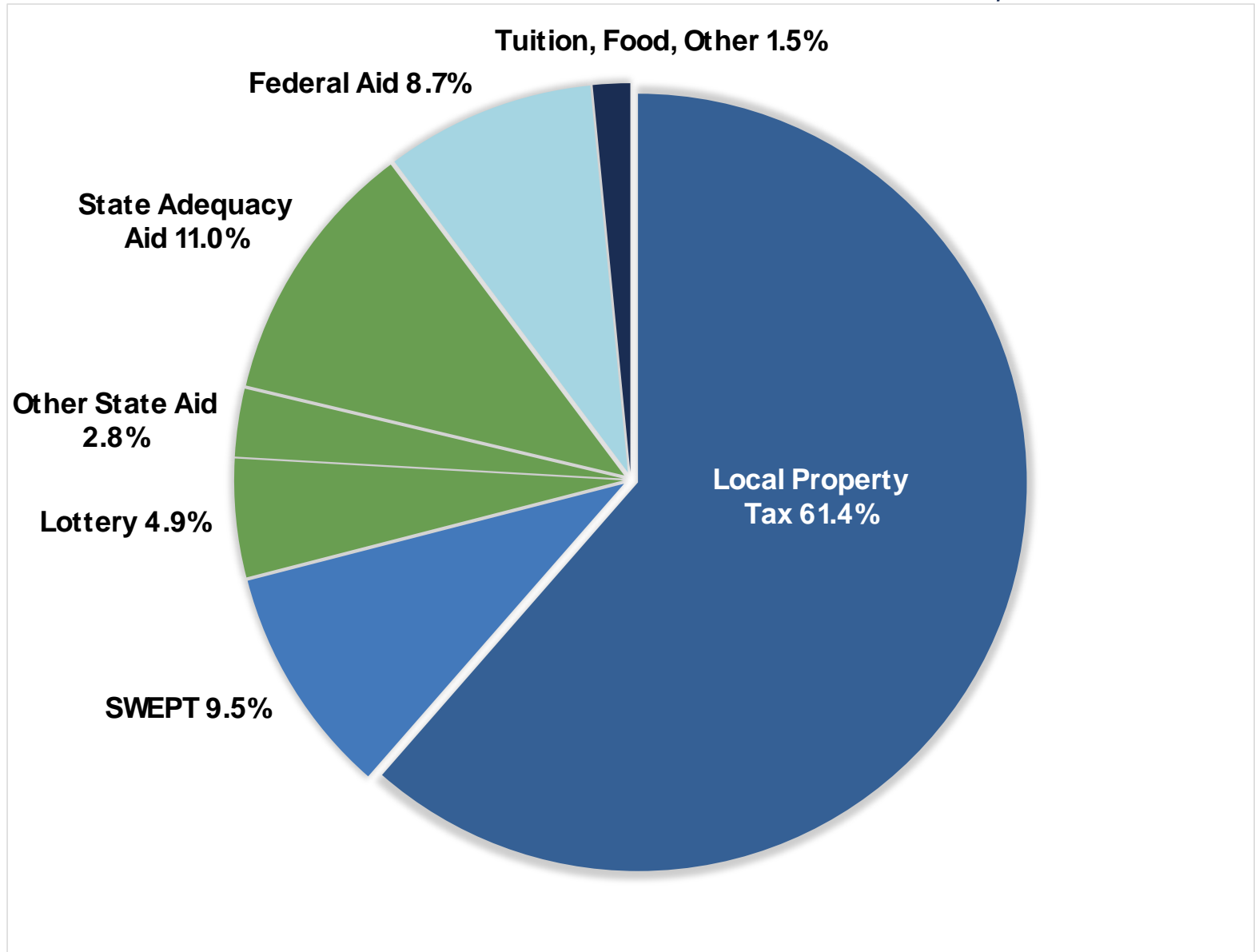
# ConVal v. State of NH Ruling

**"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***

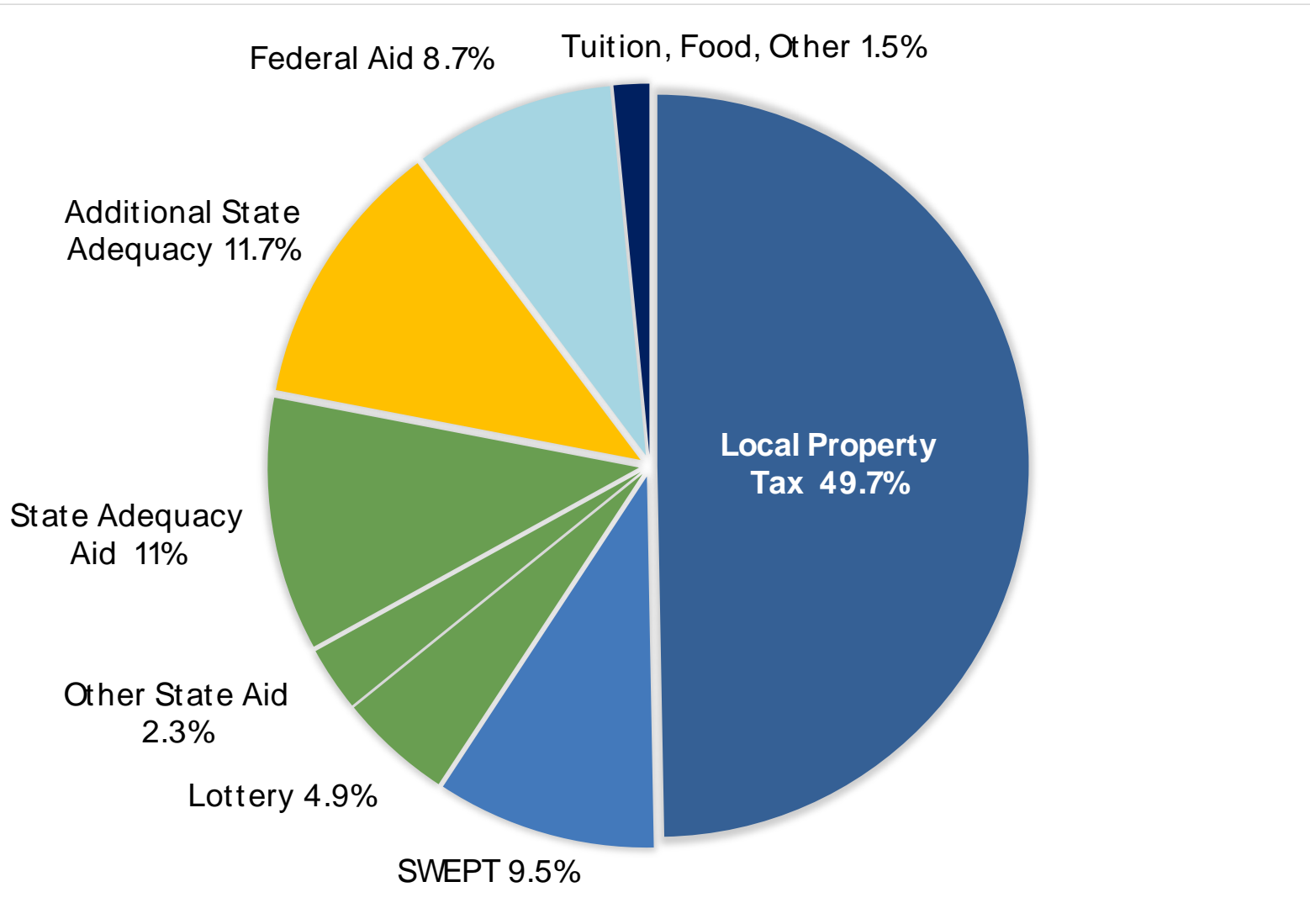
# Impact of ConVal Ruling on School District Revenue

*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

- Additional true SWEPT of about \$2.03 per \$1,000
- Interest and Dividends Tax ~\$135 million
- 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

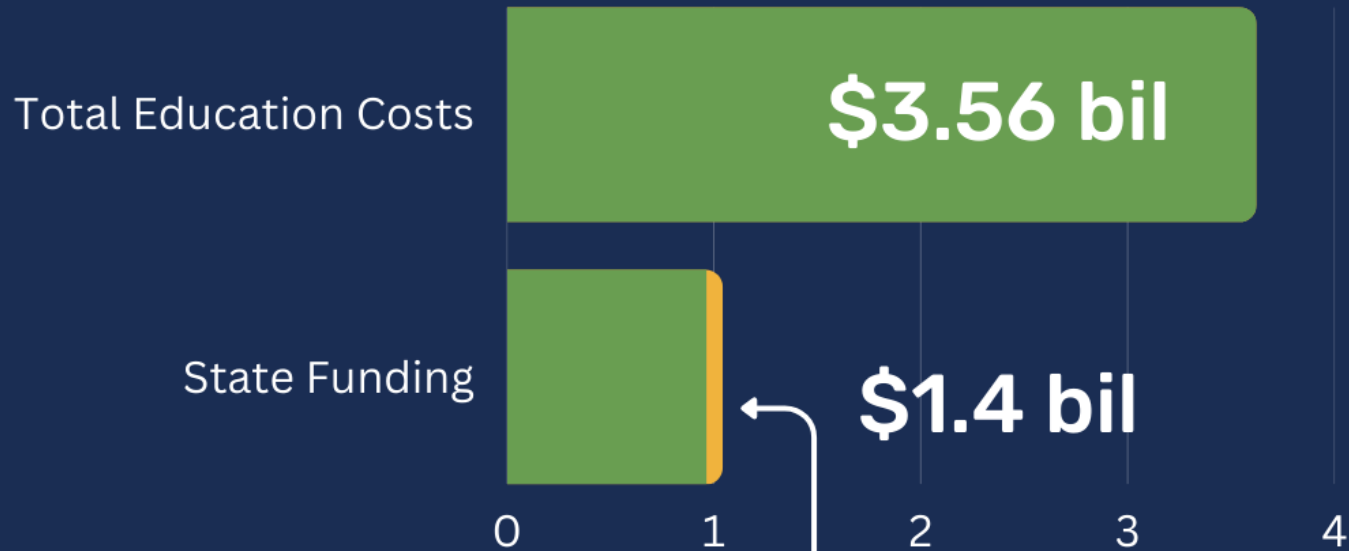
- Argues that because local property taxes used to fund the bulk of the State's funding obligation for public education are **not** uniform in rate, that is a violation of standard defined in the Claremont rulings.
- The plaintiffs challenge both base adequacy aid and differentiated aid, contending that 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 Partial Summary Judgement 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
  - Tabled = killed for this session
- **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.



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## 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.



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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.



# ConVal v. State of NH Ruling

- **Why \$7,356?**
- This number is based on a very conservative cost analysis and estimate done by the judge on the evidence presented, which is why there is an acknowledgment the actual cost is likely higher. **These are minimum thresholds.**
- Includes the explicit addition of transportation and nurse services as part of an adequate education
- The court added: *"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."*

# Rand v. State of NH Ruling

## What is Excess SWEPT?

- Money raised by SWEPT in a municipality that exceeds the State's calculated cost of an adequate education.
- Because Adequacy is insufficient to fund education, and because excess funds still must be spent on education, municipalities are able to lower their local education property tax rates
- Currently, 52 municipalities retain excess SWEPT, and are estimated to retain \$26 million this year.
  - Includes places like Wolfeboro, Rye, Lincoln, Sunapee, Waterville Valley

# Rand v. State of NH Ruling

## Negative Tax Rates?

- When the State stopped collecting SWEPT, small communities with no children would have ever growing trust funds that their SWEPT funds were going into.
- To avoid this, the NH DRA set negative local education tax rates to offset SWEPT.
- In 2022, 19 municipalities had negative local education tax rates, resulting in only generating \$239,464 from \$282.7 million in property value.

"As the Supreme Court has repeatedly emphasized, the public education system benefits the entire State, not merely those communities in which publicly-educated children reside"

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

# Recent Legislative Activity

- Largest increase in past budget in years
- Ed funding was major focus of state budget process, necessary for bi-partisan support
- Increase in targeted aid
- **Increased state funding for public schools by about \$157 million over the two years**
- **Increased targeted aid by about \$30 million in FY 2024**



# At the Same Time Legislature Cut Stabilization Aid

- **Eliminated Stabilization Grants (\$157 million in FY23) and Relief Aid (\$17.5 million in FY23)**
- **Created “Hold Harmless” grant to keep state funding at 104% of amount towns would receive under current law**
  - 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 lower property values most dramatically.

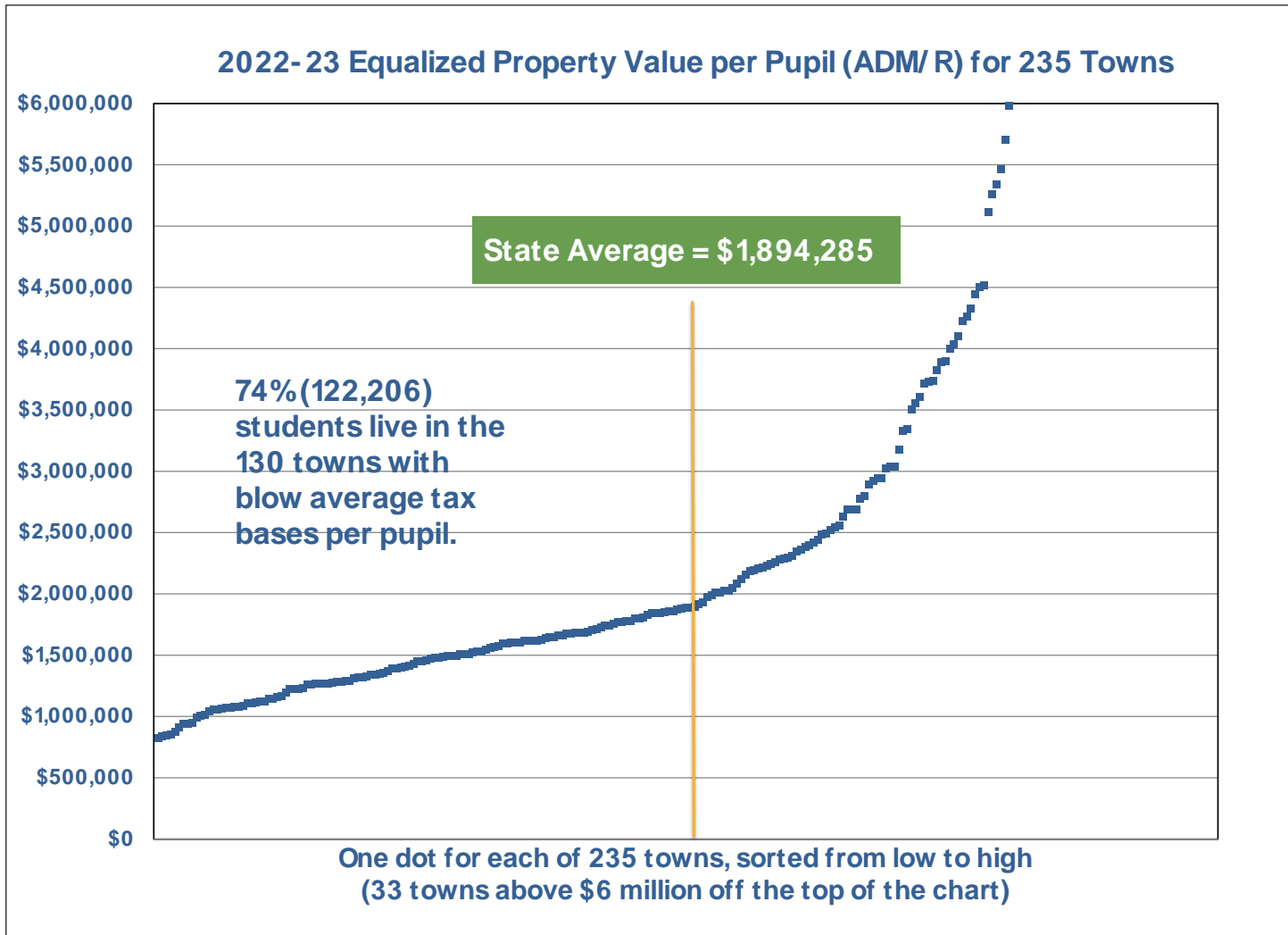


# Repealed Revenue Sources

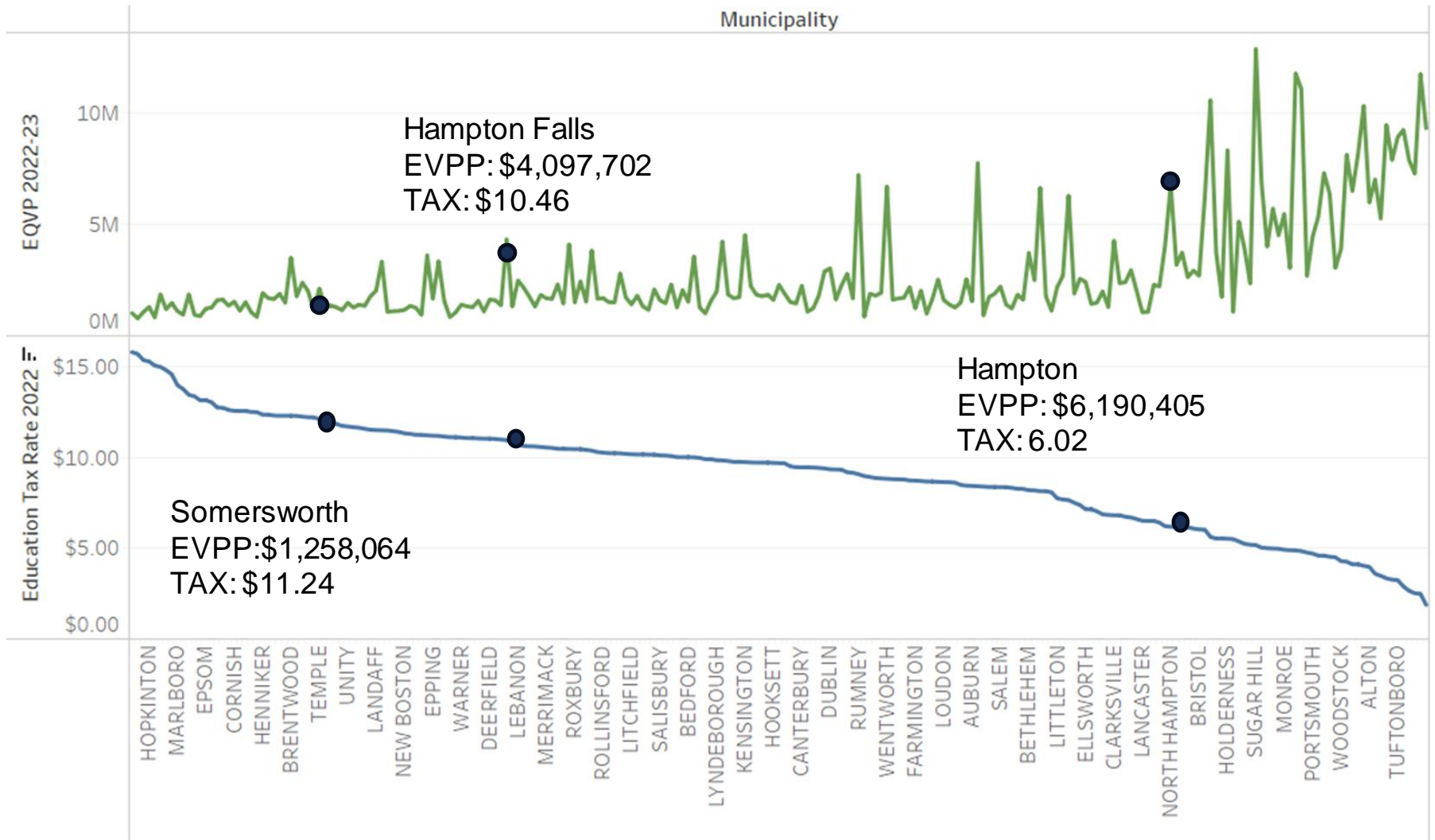
- **Accelerated repeal of Interest and Dividends Tax**
  - Loss of ~\$135 million *per year* in state revenue
  - 52% of revenue came from 2.5% of filers with >\$200k in I&D Income
- **What could that lost revenue have been used for instead of cutting it?**
  - Universal school lunch (estimated cost of \$111 million)
  - Increase Base Adequacy by around \$800 per pupil
  - School Building Aid (\$177 million in unfunded projects in 2023)



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



## 2022-23 Equalized Value Per Pupil and Equalized Tax Rates



The trends of sum of Equalized Value Per Pupil 2022 and sum of Education Tax Rate 2022 for Municipality. Details are shown for Municipality. The view is filtered on Municipality, which keeps 229 of 245 members.