

NH SCHOOL

Funding Fairness Project

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

Zack Sheehan, Executive Director

John Tobin, Board Member

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

- **79%** of 3rd graders are proficient or above in math and **87%** reading
- **97%** of students graduate
- **86%** of AP test takers score a 3 or above
- Teachers make an average of **\$79,219**
- Median household income is **\$136,992**
- Education property taxes are **\$8.14** per \$1,000 of value, resulting in a **\$2,849** on a \$350,000 home

Public High School B

- **39%** of 3rd graders are proficient or above in math and **63%** reading
- **97%** of students graduate
- **86%** of AP test takers score a 3 or above
- Teachers make an average of **\$79,219**
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Public High School B

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Public High School B

- **39%** of 3rd graders are proficient or above in math and **63%** reading
- **88%** of students graduate
- **35%** of AP test takers score a 3 or above
- Teachers make an average of **\$54,497**
- Median household income is **\$58,112**
- Education property taxes are **\$8.14** per \$1,000 of value, resulting in a **\$2,849** on a \$350,000 home

Public High School B

- **39%** of 3rd graders are proficient or above in math and **63%** reading
- **88%** of students graduate
- **35%** of AP test takers score a 3 or above
- Teachers make an average of **\$54,947**
- Median household income is **\$58,112**
- Education property taxes are **\$11.75** per \$1,000 of value, resulting in a **\$2,849** on a \$350,000 home

Public High School B

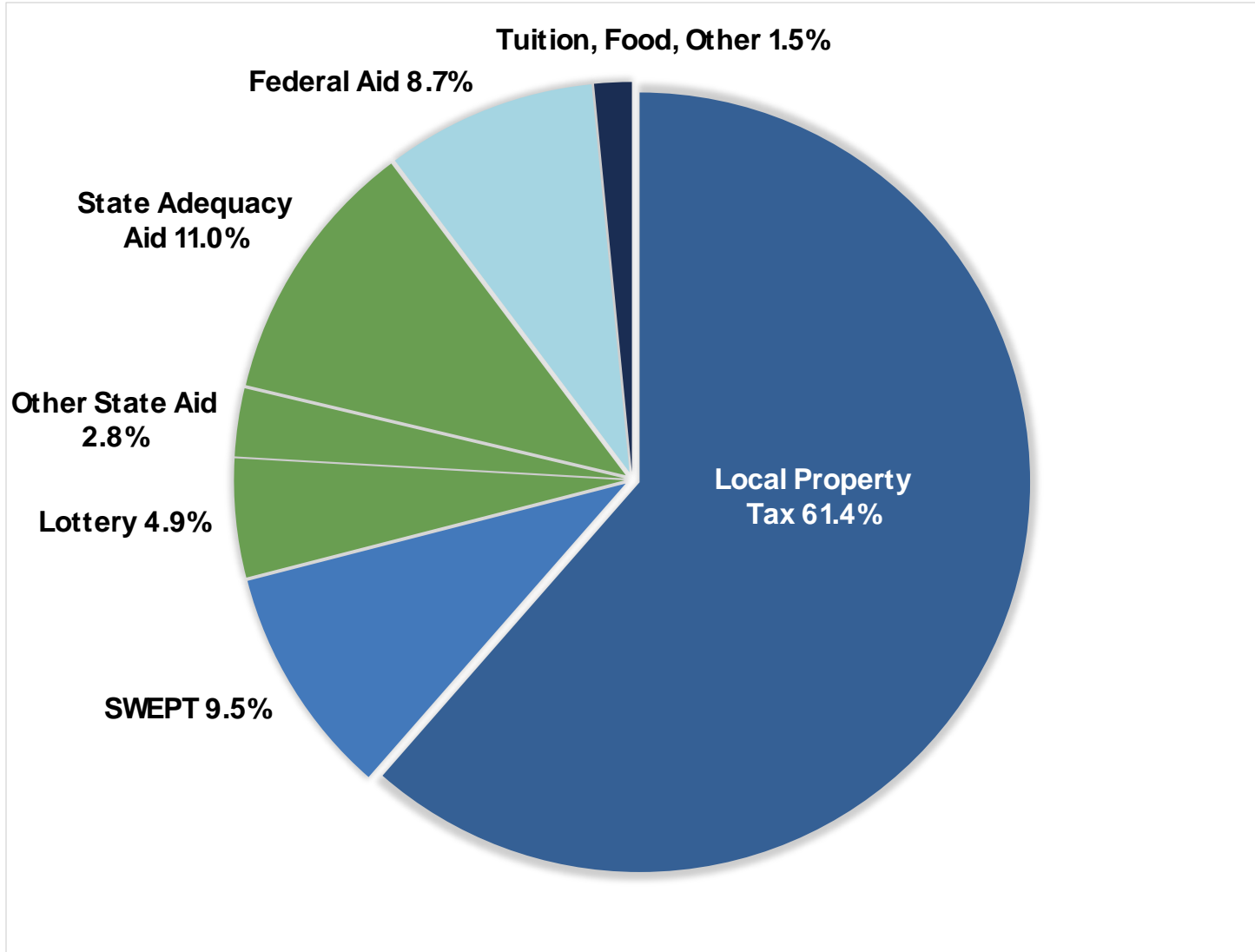
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Hanover (A) compared to Haverhill (B)

- **39%** **79%** of 3rd graders are proficient or above in math and **63%** **87%** reading
- **88%** **97%** of students graduate
- **35%** **86%** of AP test takers score a 3 or above
- Teachers make an average of **\$54,497** **\$79,219**
- Median household income is **\$58,112** **\$136,992**
- Education property taxes are **\$11.75** **\$8.14** per \$1,000 value, resulting in a **\$4,112** **\$2,849** on a \$350,000 home
- Only 30 miles apart

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

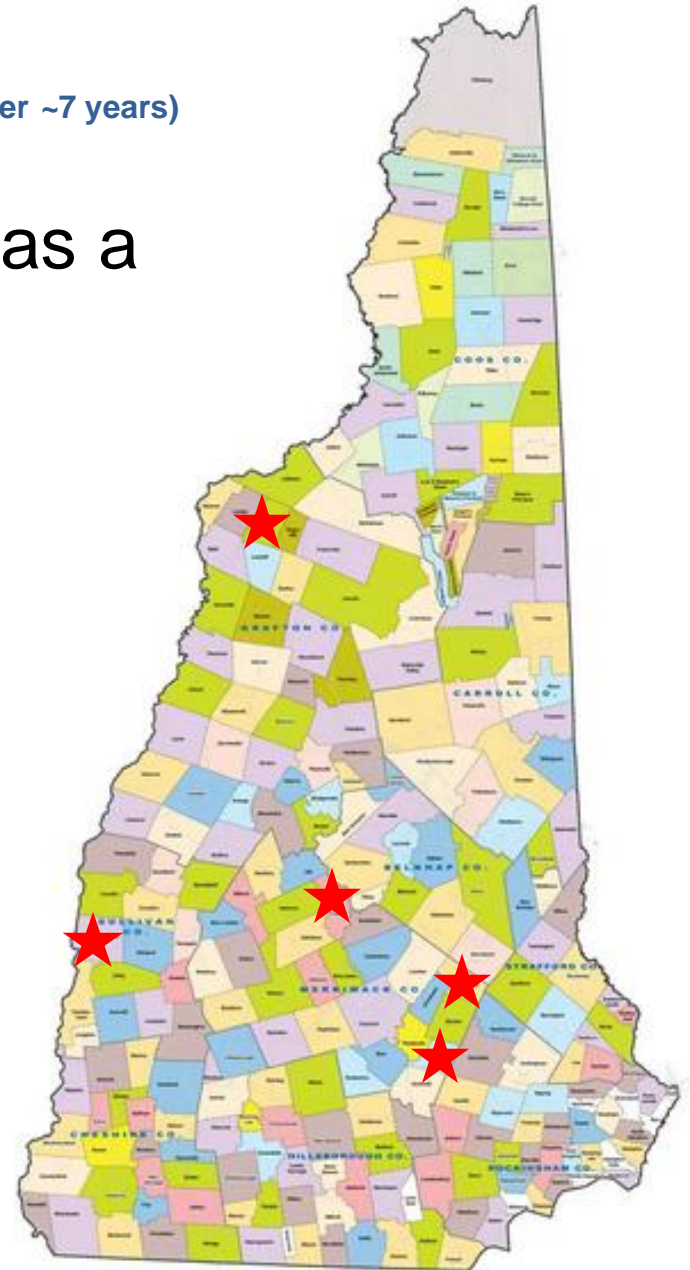
Five Students



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

Stawide 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”

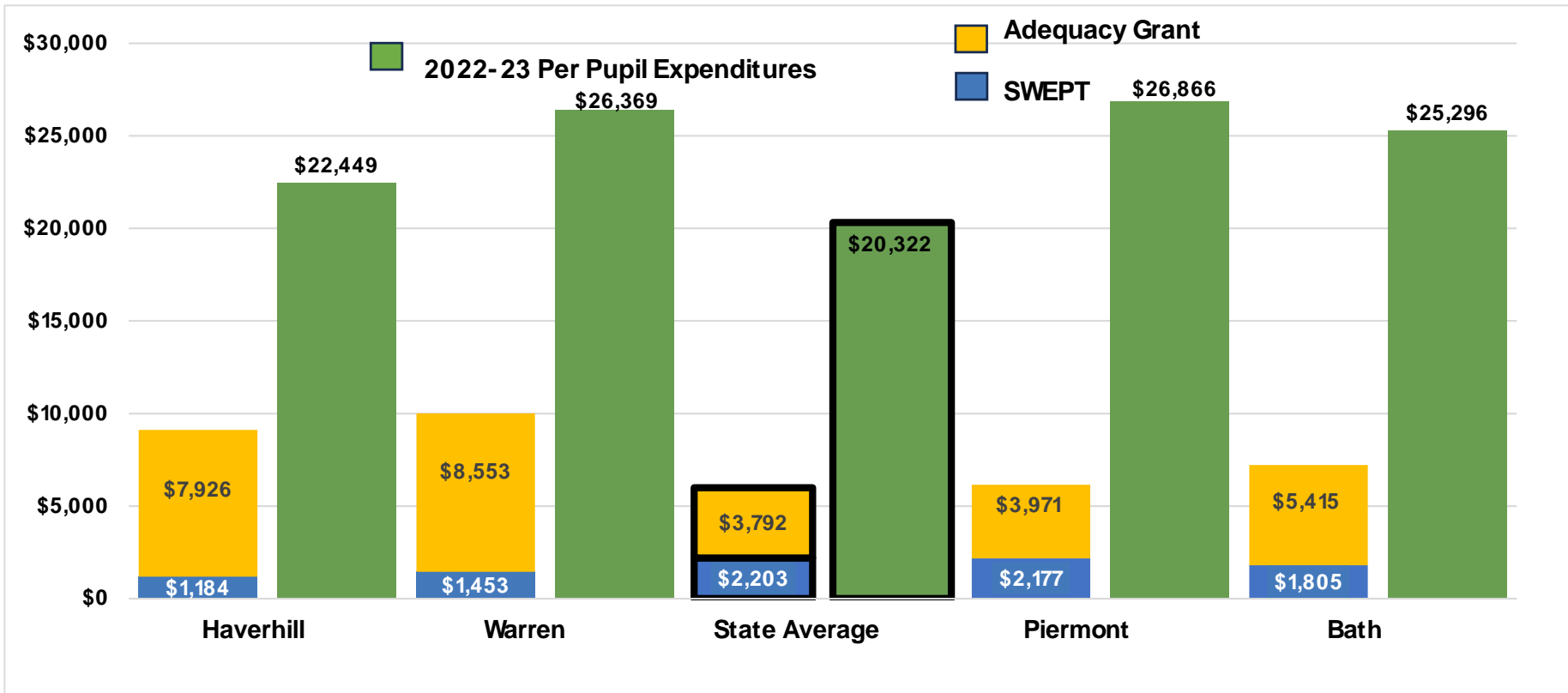
+ \$2,300 for each student eligible for free or reduced-priced lunch

+ \$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



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



Which Home Has the Larger Property Tax Bill?



Fully Furnished This open-concept floor plan is to die for, a real entertainer's dream. Located in one of Gilford's most sought-after neighborhoods, this property is set back on a corner/end lot on a quiet cul-de-sac. The flat lot is over an acre and has a wonderfully landscaped patio and firepit as well as a hot tub, ready to be enjoyed!



Come take a look at this beautiful, newer construction, 2022 built, three bedroom, two bath home, in the quiet country setting. Nestled peacefully on 1.63 acres of land in the lovely town of Haverhill, NH. Just outside of the destination locations of Lincoln and Franconia, NH. Surrounded by many ski resorts, hiking trails, lakes, rivers, and ponds



Which Home Has the Larger Property Tax Bill?



Gilford

2024 market price: \$1,239,000
Education Tax rate: \$5.01

School property tax **\$6,195**



Haverhill

2024 market price: \$459,000
Education Tax rate: \$11.75

School property tax: **\$5,393**



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.

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).

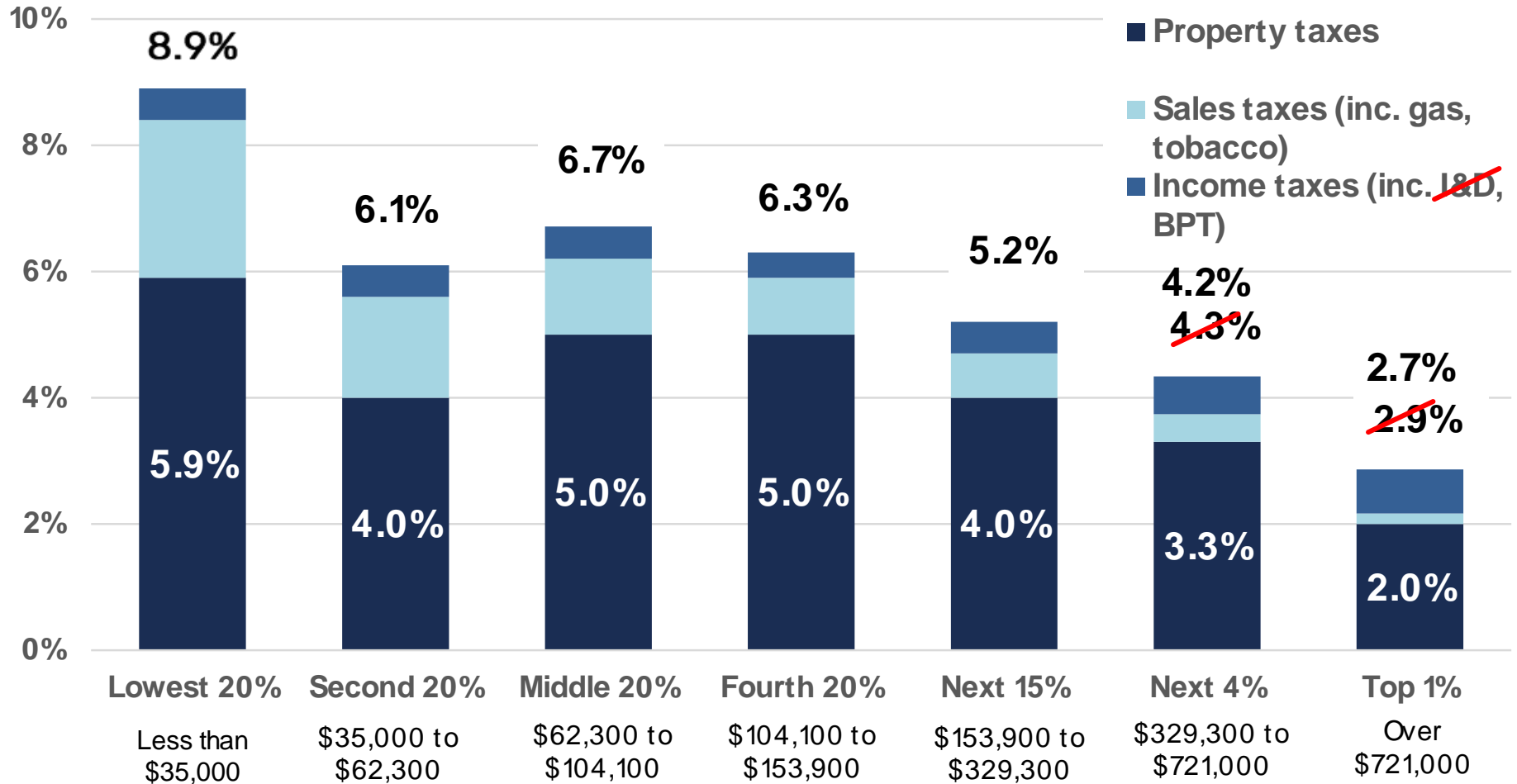
Possible Revenue Sources

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*

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

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



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.



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.

