



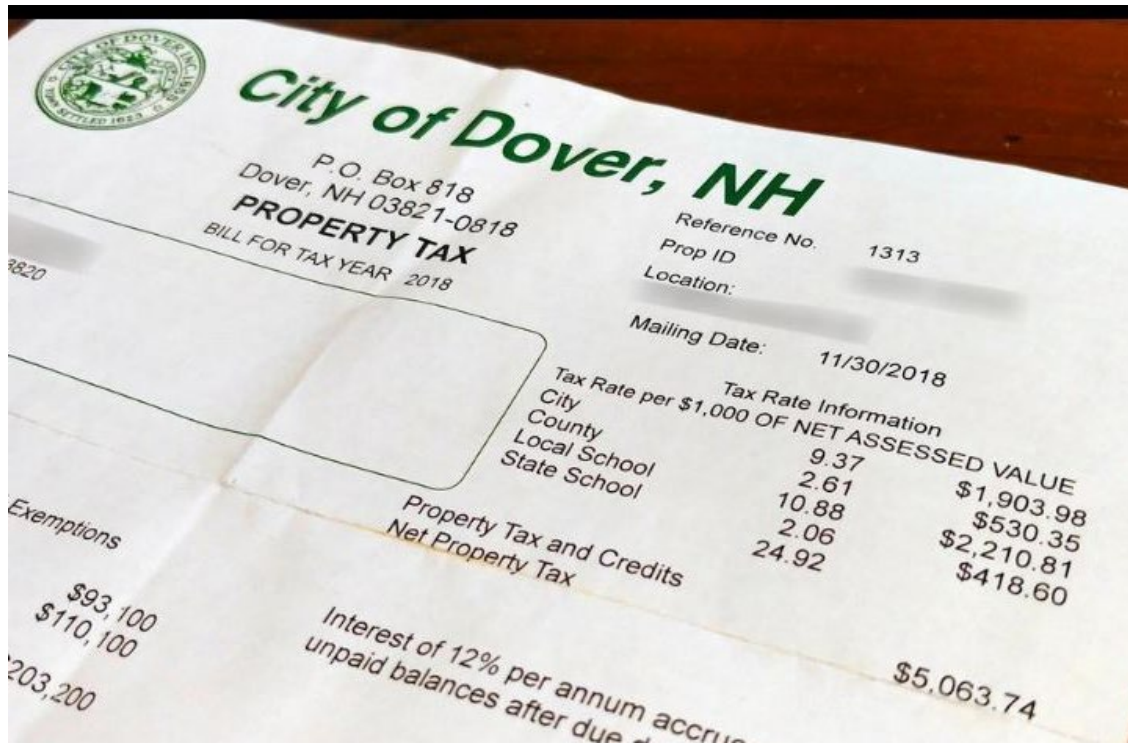
# School Funding and Property Taxes

*Dover, June 13*

*Greg Bird, Board Member*



NH SCHOOL  
Funding Fairness  
Project



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



# School Funding and Property Taxes

## Overview

- *New Hampshire's Constitutional Responsibilities*
- Role of Property Taxes in Funding Schools & Resulting Inequities
- Enormous Gap Between State Aid & Actual School Costs
- Consequences & Implications of New Hampshire's Current School Funding System
- Current and Future Steps

# School Funding and Property Taxes

- Taxpayers and students are not treated equitably or fairly.
- The problem is getting worse.
- The current system is unconstitutional.



## The New Hampshire Supreme Court's decisions in the Claremont case re-establish two fundamental responsibilities:

- The State of New Hampshire has a duty to pay for the cost of a constitutionally adequate education for every K-12 student.
- 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*

## The 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 Are Again Suing the State

- The suit was filed in 2019 and is led by the ConVal School District and joined by Hopkinton, Lebanon, Manchester, Nashua, Claremont, Derry, Fall Mountain, Grantham, Hillsboro-Deering, Mascenic, Mascoma Valley, Monadnock Regional, Newport, Oyster River, and Winchester districts.
- They argue that the State definition of “adequacy” is not sufficient and therefore downshifts the burden to local property taxpayers.



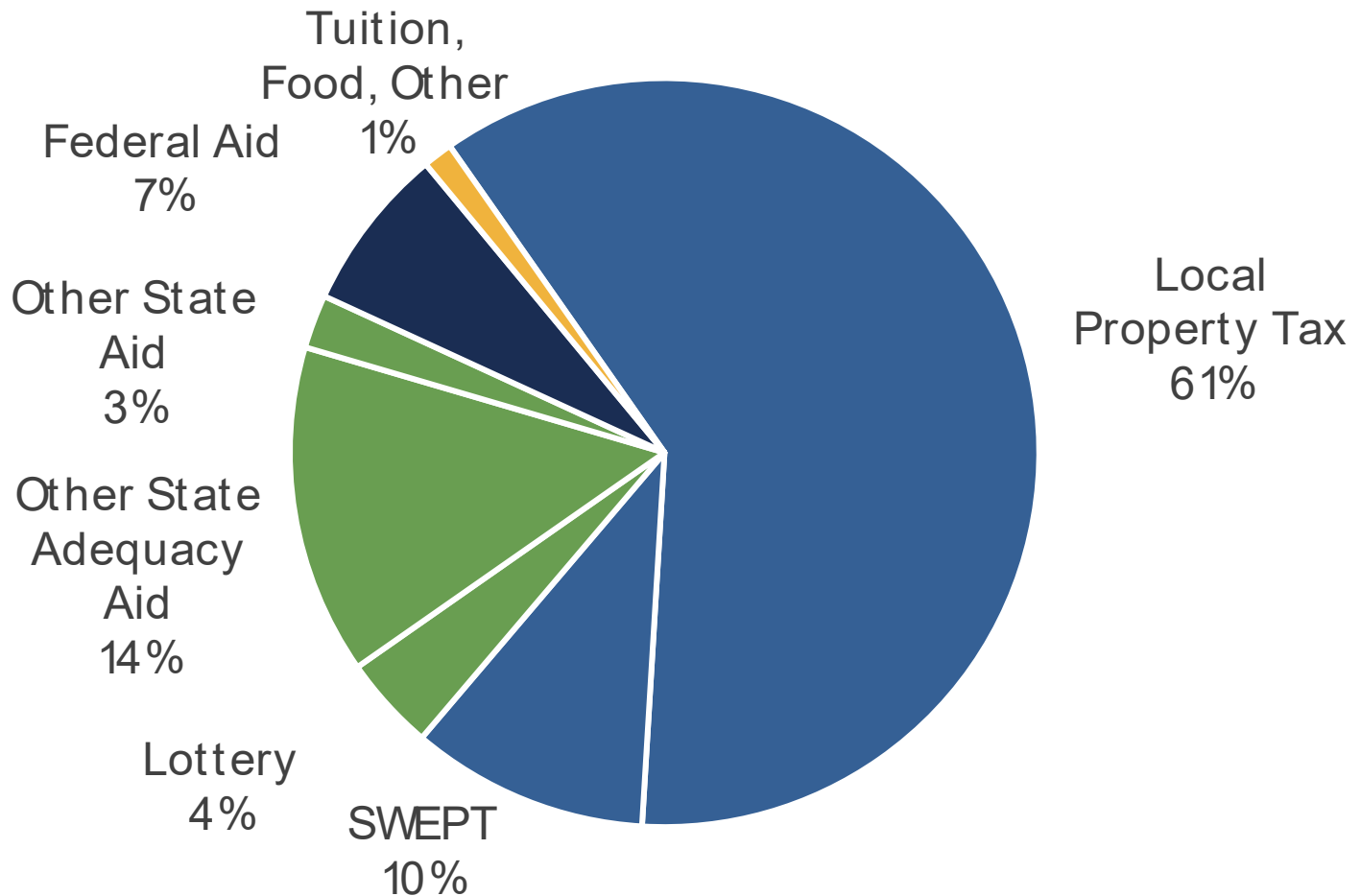
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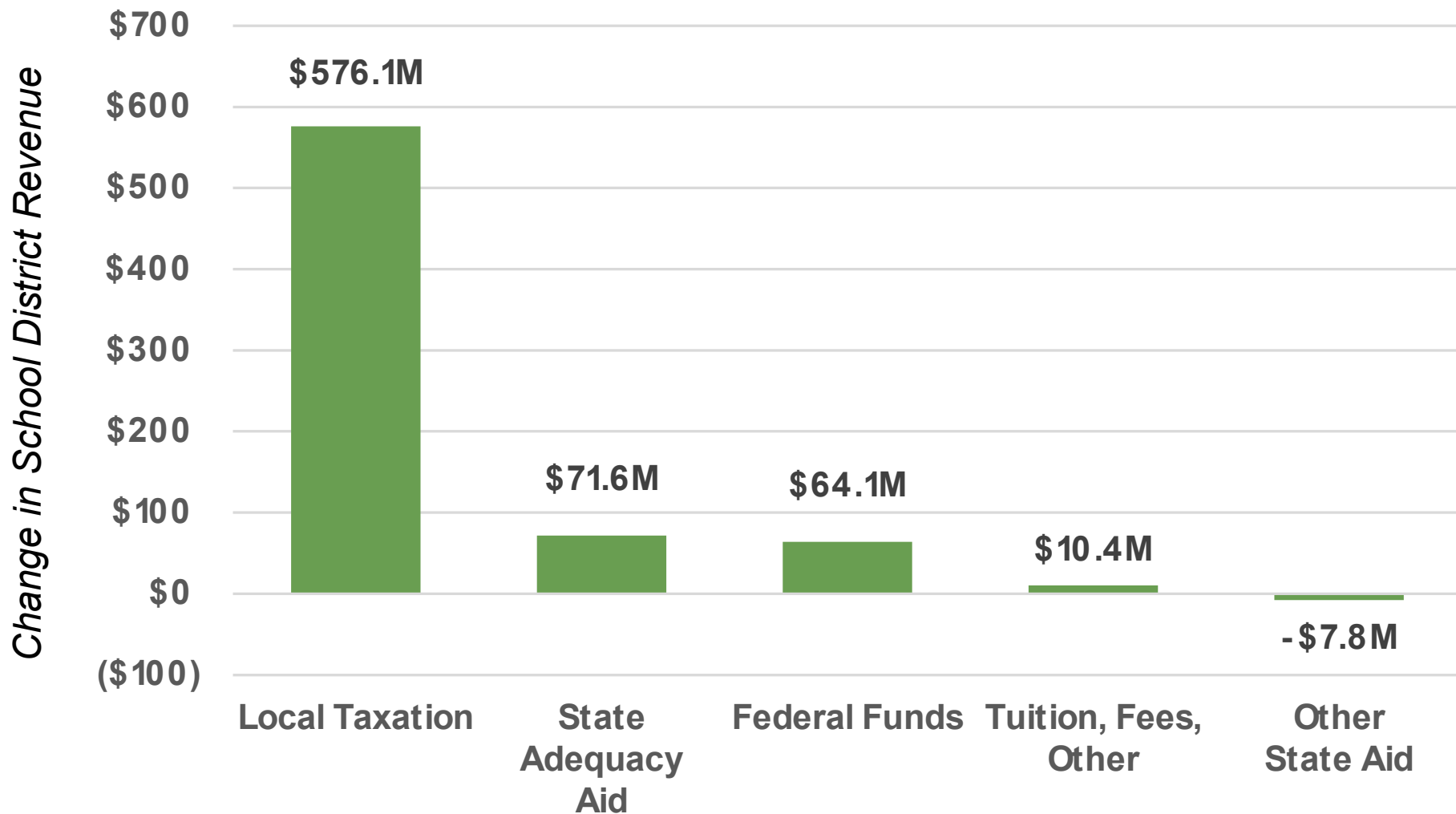
# 2020-21 Revenue of NH School Districts

*\$3.54 billion*



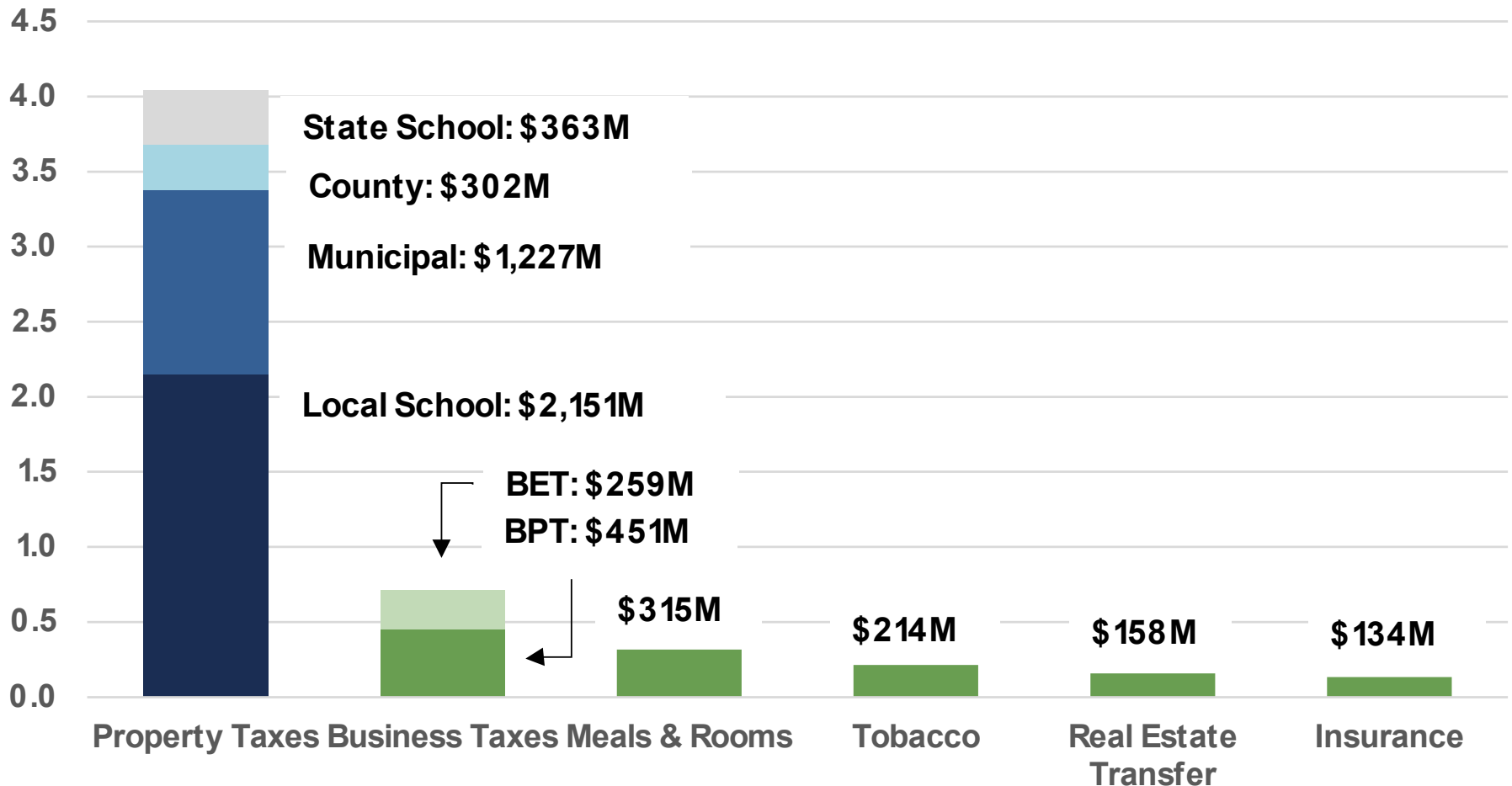
# Reliance On Local Property Taxes Has Grown Over Time

*Change in School District Revenue, 2012– 2021*



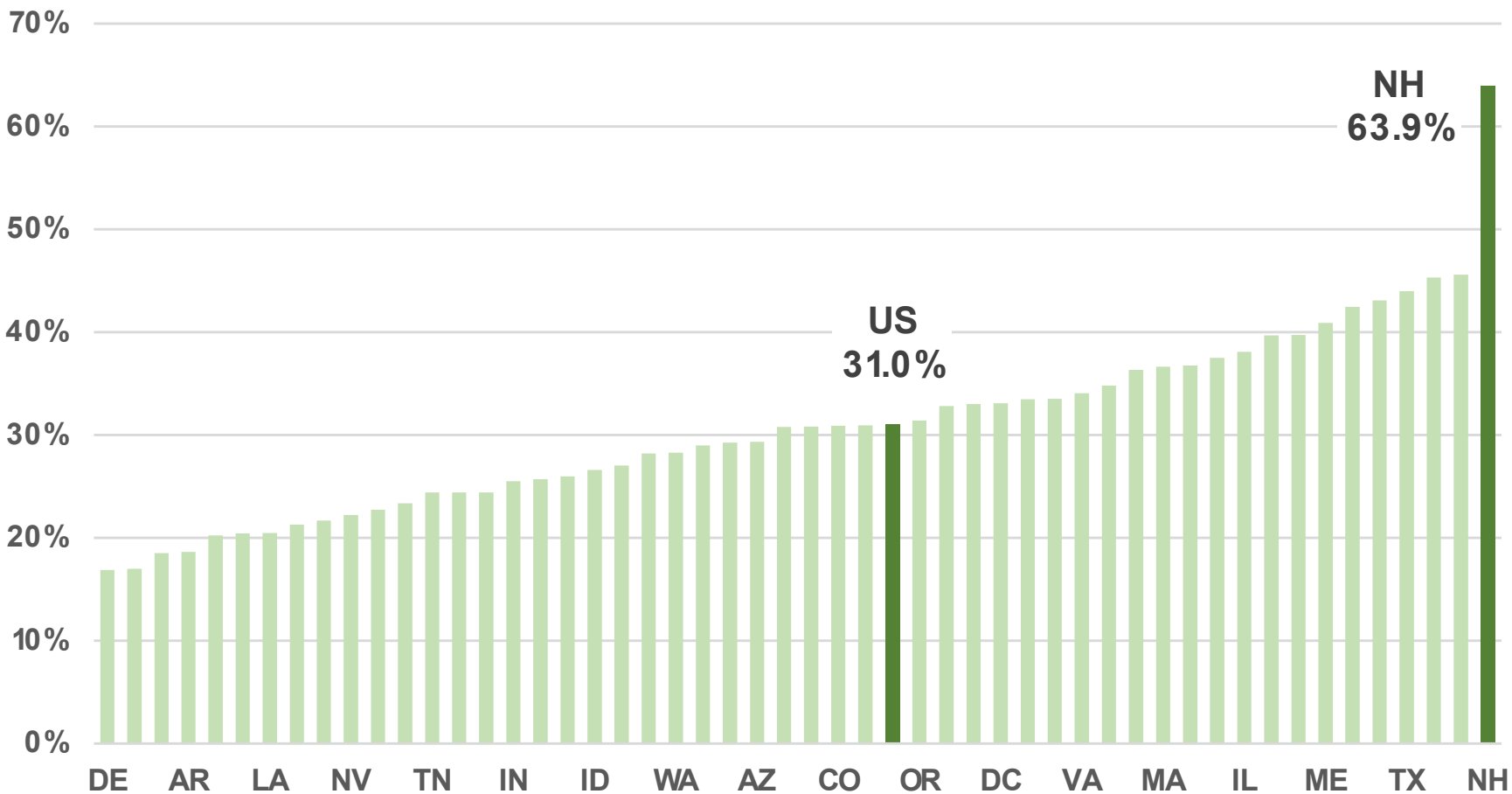
# The Property Tax is the Largest Tax in NH

*Tax revenue by source, 2020 (all figures in \$million)*



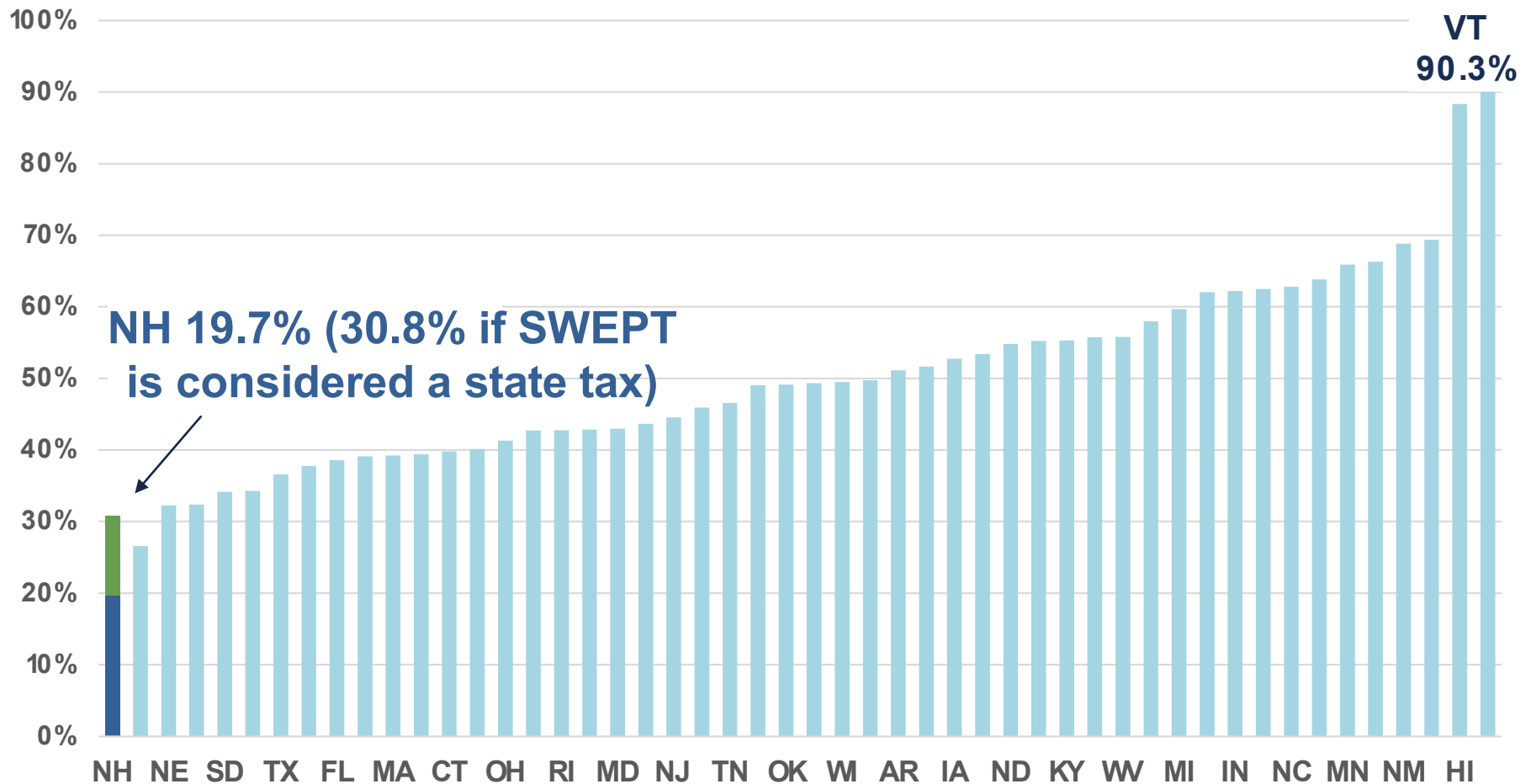
# NH'S PROPERTY TAX RELIANCE IS THE HIGHEST IN THE COUNTRY

*PROPERTY TAX REVENUE AS A SHARE OF TOTAL  
STATE AND LOCAL TAX REVENUE, 2017-2018*



# State's Share of School Funding in NH is the Smallest in the Country

*Percent of school revenue from state sources, 2018-19*



## 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 | School Tax Rate<br>(Per Thousand) | School Funding<br>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 | School Tax Rate<br>(Per Thousand) | School Funding<br>Revenue Raised |
|----------------|-----------------------------------|----------------------------------|
| \$1,000,000    | \$10.00                           | \$10,000                         |
| \$400,000      | <b>\$25.00</b>                    | \$10,000                         |



# Role of Property Taxes & Resulting Inequities

**There would be no problem...**

**IF**

The distribution of property value

**AND**

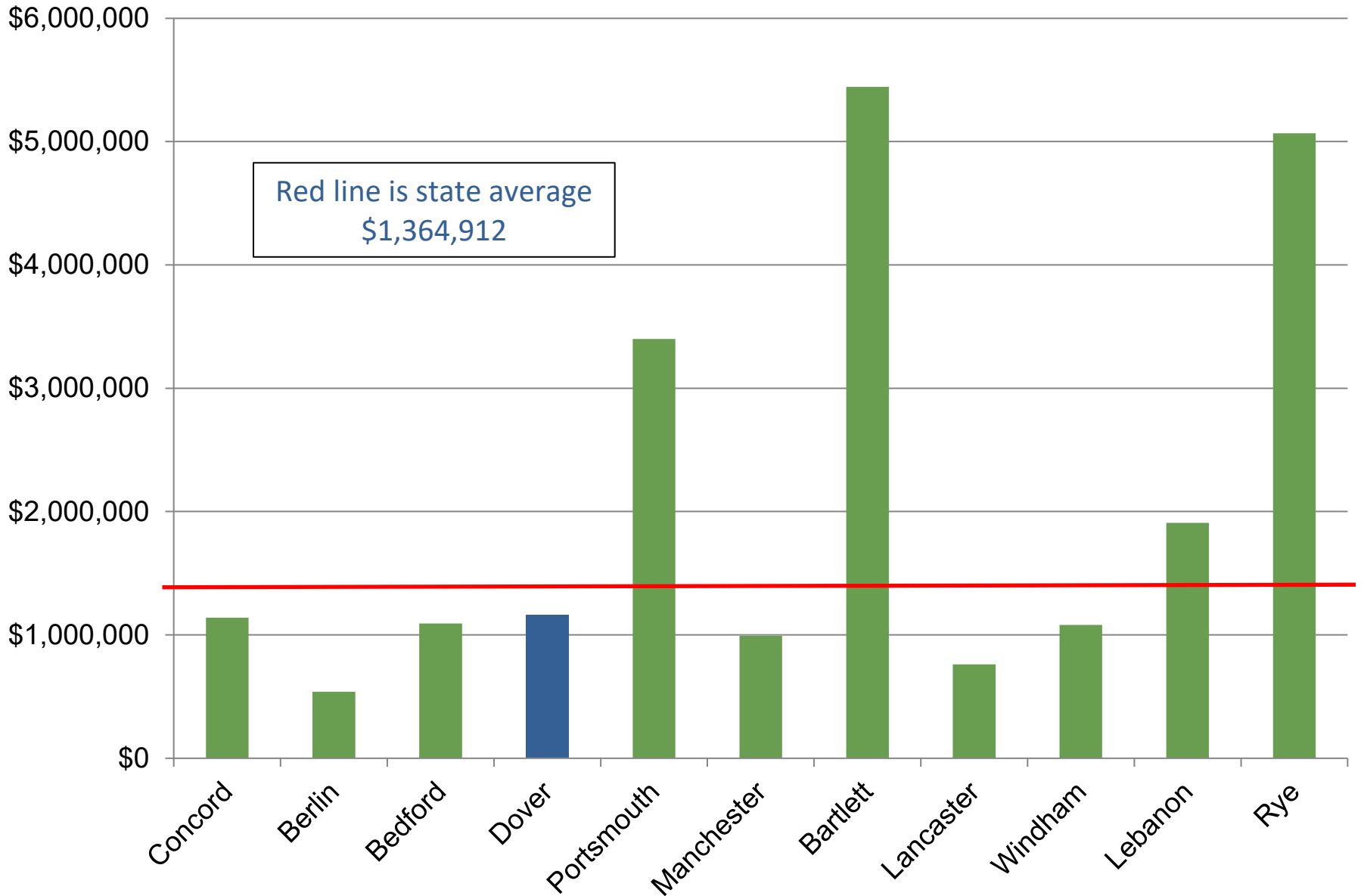
the distribution of students  
were approximately the same.

**They are not.**



# Equalized Property Value per Pupil 2020-21

Red line is state average  
\$1,364,912



# Role of Property Taxes & Resulting Inequities

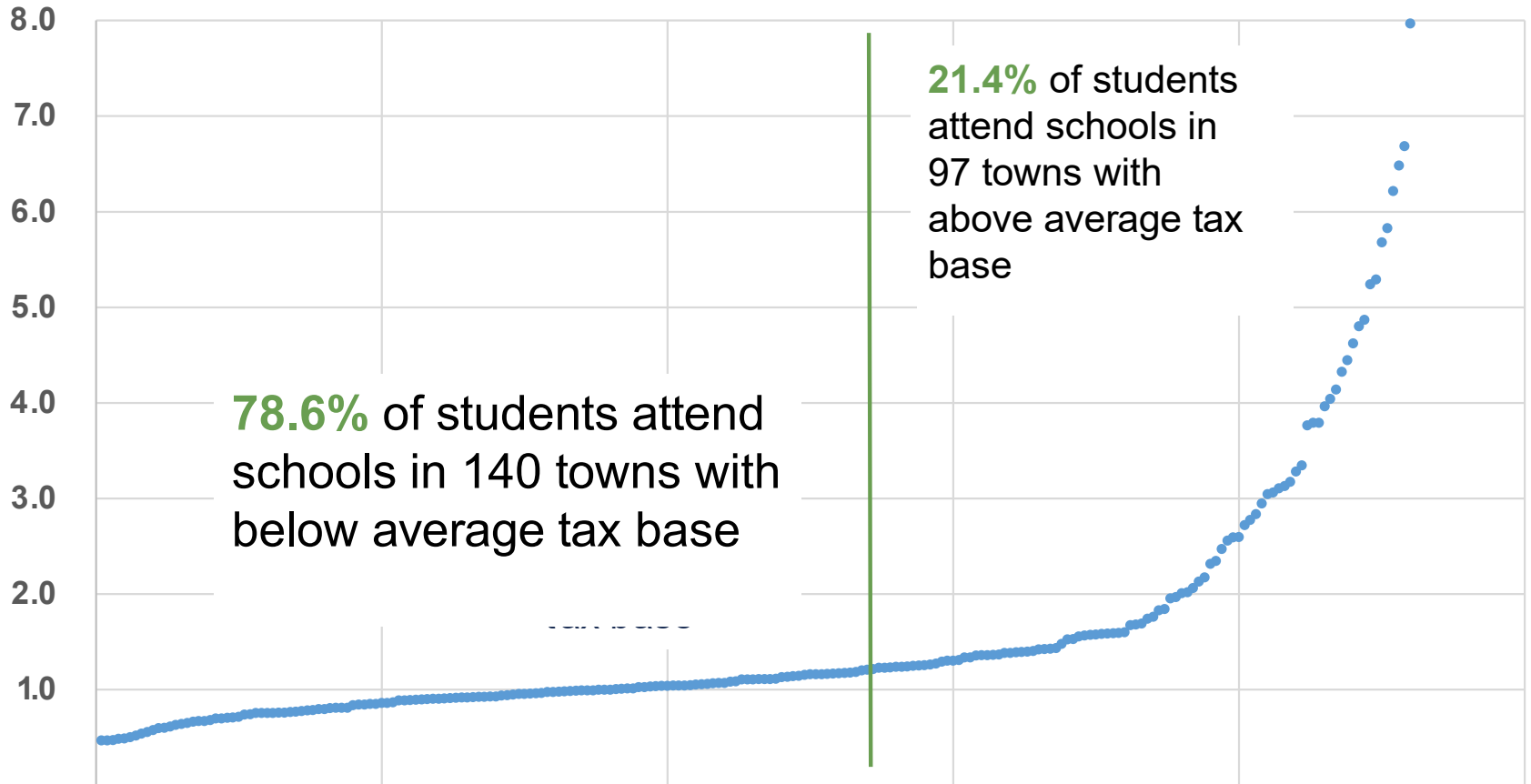
*Equalized Valuation and Tax Rates for Select NH Schools, 2019-20*

| Town                 | Pupils         | Equalized Value Per Pupil | Equalized School Tax Rate | Amount Raised Per Pupil |
|----------------------|----------------|---------------------------|---------------------------|-------------------------|
| Moultonborough       | 429            | \$8,987,902               | 3.59                      | \$32,267                |
| Meredith             | 692            | \$3,537,578               | 8.08                      | \$28,584                |
| Portsmouth           | 2,117          | \$3,399,350               | 6.10                      | \$20,736                |
| Sanbornton           | 316            | \$1,864,160               | 10.22                     | \$19,052                |
| <b>New Hampshire</b> | <b>166,261</b> | <b>\$1,346,793</b>        | <b>11.21</b>              |                         |
| Manchester           | 13,021         | \$992,971                 | 8.43                      | \$8,371                 |
| Dover                | 3,631          | \$1,163,155               | 11.87                     | \$13,807                |
| Franklin             | 1,003          | \$805,637                 | 7.20                      | \$5,801                 |
| Newport              | 792            | \$649,873                 | 15.47                     | \$10,054                |
| Claremont            | 1,609          | \$523,285                 | 20.37                     | \$10,659                |



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

*2020 Equalized Value Per Pupil for 237 Towns (in \$M)*



One dot for each of 230 towns, sorted from lowest EVP to highest  
(7 towns with EVP over \$8 million not shown)

# 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**

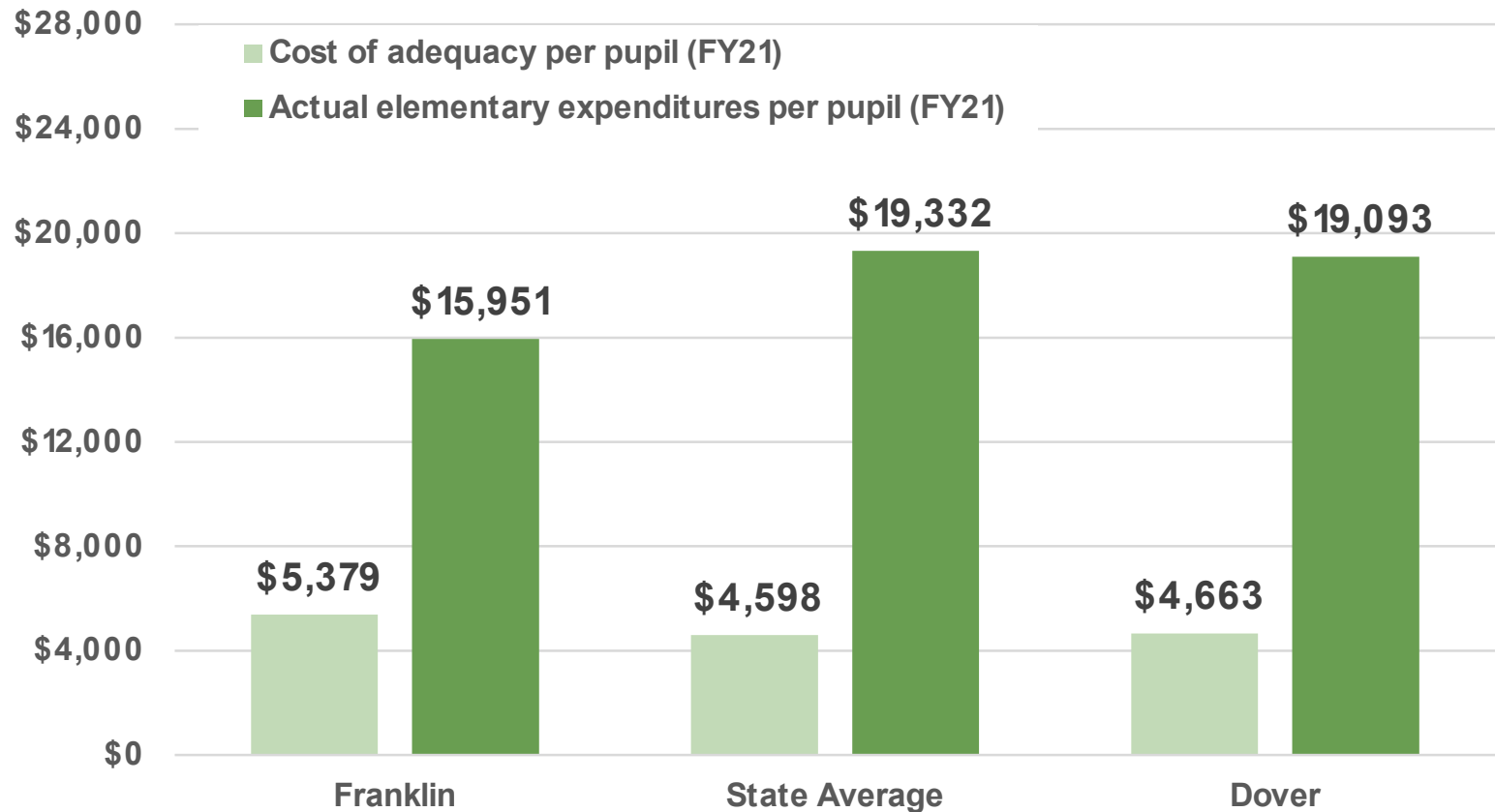


# **School Funding and Property Taxes**

## **Overview**

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# 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 Pittsfield’s 581 students, an adequate education should cost **\$2,690,333** or **\$4,630** per student in 2018-19.

The Pittsfield School District budget for 2018-19 was **\$10,302,402** or **\$17,732** per student.

***So, let’s pare that budget down.....***



## ***So let's pare that budget down...***

Eliminate 5 of the 16 teachers at the elementary school

Eliminate all art, music, and physical education classes in all grades

Eliminate all school nurses and any medical support

Eliminate all regular and special education transportation services  
(parents to transport their children to and from school)

Eliminate one of the two office secretaries at the elementary school

Eliminate one of the two office secretaries at the middle/high school

Eliminate teachers for business ed, family & consumer science, and health

Eliminate one of four science teachers at the middle/high school, thus eliminating some labs and electives

Eliminate all building and grounds maintenance and repairs

Eliminate student participation in Concord Regional Technical Center classes

Eliminate all foreign language courses

Eliminate both counselor/behavioral professionals and support staff

Eliminate four of eight custodians: building cleaning only twice per week



## ***So let's pare that budget down...***

- Eliminate health insurance and other benefits in current teacher contract
- Eliminate all field trips
- Eliminate all athletic programs: soccer, basketball, softball, and baseball
- Eliminate the district reading specialist
- Eliminate 34½ paraprofessional positions, including special ed teacher aides
- Eliminate purchase of equipment, supplies, books, subscriptions, technology
- Eliminate ESOL program (English for speakers of other languages)
- Eliminate all substitute teachers, thus requiring students to be dismissed
- Eliminate three special education teachers
- Eliminate provisions for teacher development courses, workshops
- Eliminate mentor teachers who support new teachers
- Eliminate all technology personnel, equipment, training, software, etc.
- Eliminate consulting specialists such as vision specialists and psychologists
- Eliminate travel reimbursement for training events, meetings, home visits, etc.



## ***So let's pare that budget down...***

- Eliminate all co-curricular programs (clubs, activities, student council, etc.)
- Eliminate the summer recreation program
- Eliminate all guidance personnel
- Eliminate substance abuse counselor
- Eliminate speech/language, PT, OT, and vision services for special needs students
- Eliminate stipend for teachers' summertime work on innovation and development
- Eliminate stipends for teacher leaders
- Eliminate all librarians and media center staff and close media centers
- Eliminate school board stipends
- Eliminate school board expenses, including lawyers and auditing services
- Reduce time of superintendent to one day per week
- Eliminate all photocopiers and their supplies
- Eliminate maintenance of athletic field
- Eliminate one school principal, leaving only one for both school buildings
- Eliminate all office incidentals: postage, supplies, advertising, etc.



# What Does an “Adequate” K-12 Education Cost?

## *An Example*

### With the above reductions...

- Most “core” K-12 classrooms are maintained
- Class size averages **29 students/teacher**
- Budget is now **\$5,289,610**

### Now cut to the State’s “adequacy” level of **\$2,690,333**

- Nearly everything else has been eliminated, so now eliminate nearly half of the remaining teachers
- Class size averages **60 students/teacher**

***How does anyone believe that this will provide an adequate education for Pittsfield’s 581 students?***



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# Comparing Starting Teacher Salaries

| New graduate with a BA, first year salary |          |  |            |          |
|-------------------------------------------|----------|--|------------|----------|
| District                                  | Salary   |  | District   | Salary   |
| Portsmouth                                | \$44,667 |  | Pittsfield | \$30,452 |
| Stratham                                  | \$45,060 |  | Franklin   | \$32,782 |
| Hanover                                   | \$45,167 |  | Stratford  | \$32,800 |
| Exeter                                    | \$45,462 |  | Allenstown | \$34,331 |
| Lyme                                      | \$47,365 |  | Newport    | \$34,363 |

| New graduate with an MA, first year salary |          |  |            |          |
|--------------------------------------------|----------|--|------------|----------|
| District                                   | Salary   |  | District   | Salary   |
| Hanover                                    | \$50,135 |  | Stratford  | \$34,300 |
| Lyme                                       | \$51,391 |  | Pittsfield | \$34,323 |
| Portsmouth                                 | \$51,604 |  | Franklin   | \$35,904 |
| Exeter                                     | \$51,736 |  | Newport    | \$36,517 |
| Stratham                                   | \$51,917 |  | Allenstown | \$39,736 |

Bottom line: starting teachers in Pittsfield might earn \$15,000 more elsewhere

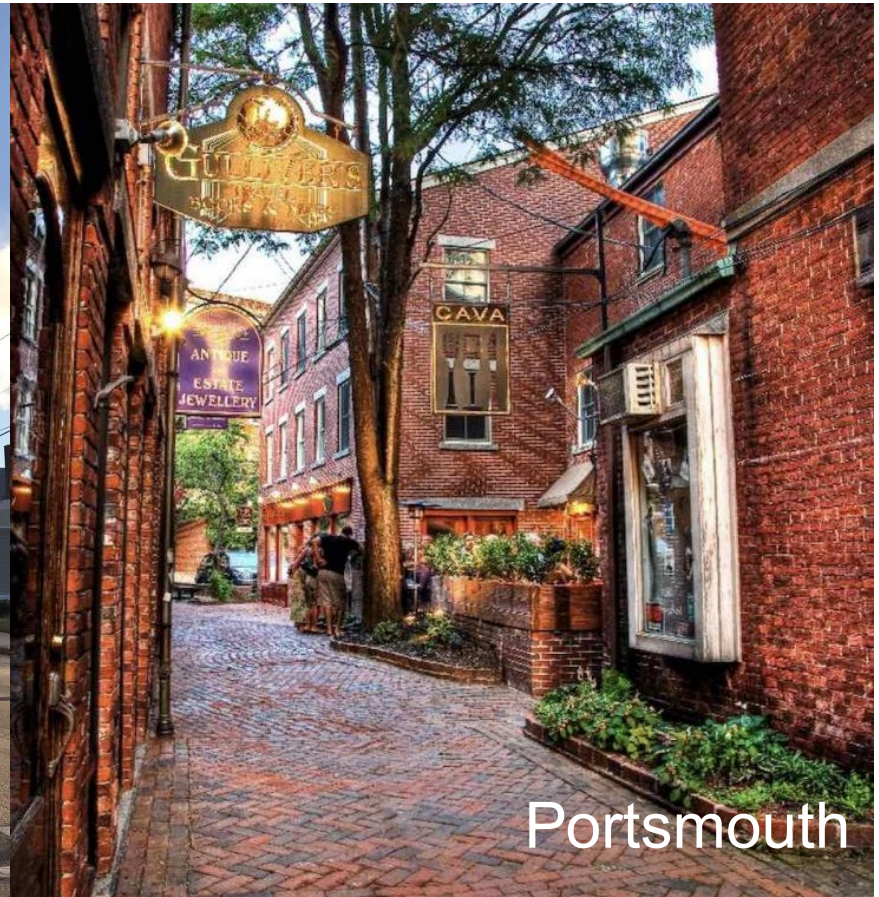
# Current System Discourages Regional Cooperation and Economies of Scale

*2019-20 School Tax Rate Variations within Timberlane RSD*

|          | Equalized<br>Value Per Pupil | Equalized<br>Education Tax<br>Rate | Tax on<br>\$200,000 Home |
|----------|------------------------------|------------------------------------|--------------------------|
| Atkinson | \$1,581,780                  | \$11.30                            | \$2,260                  |
| Danville | \$841,437                    | \$18.33                            | \$3,666                  |
| Plaistow | \$1,229,900                  | \$13.90                            | \$2,780                  |
| Sandown  | \$779,380                    | \$18.20                            | \$3,640                  |



# Current System Impedes Economic Development in Property-Poor Towns



# Current System Works against Attracting or Keeping Young Families or Developing Workforce Housing

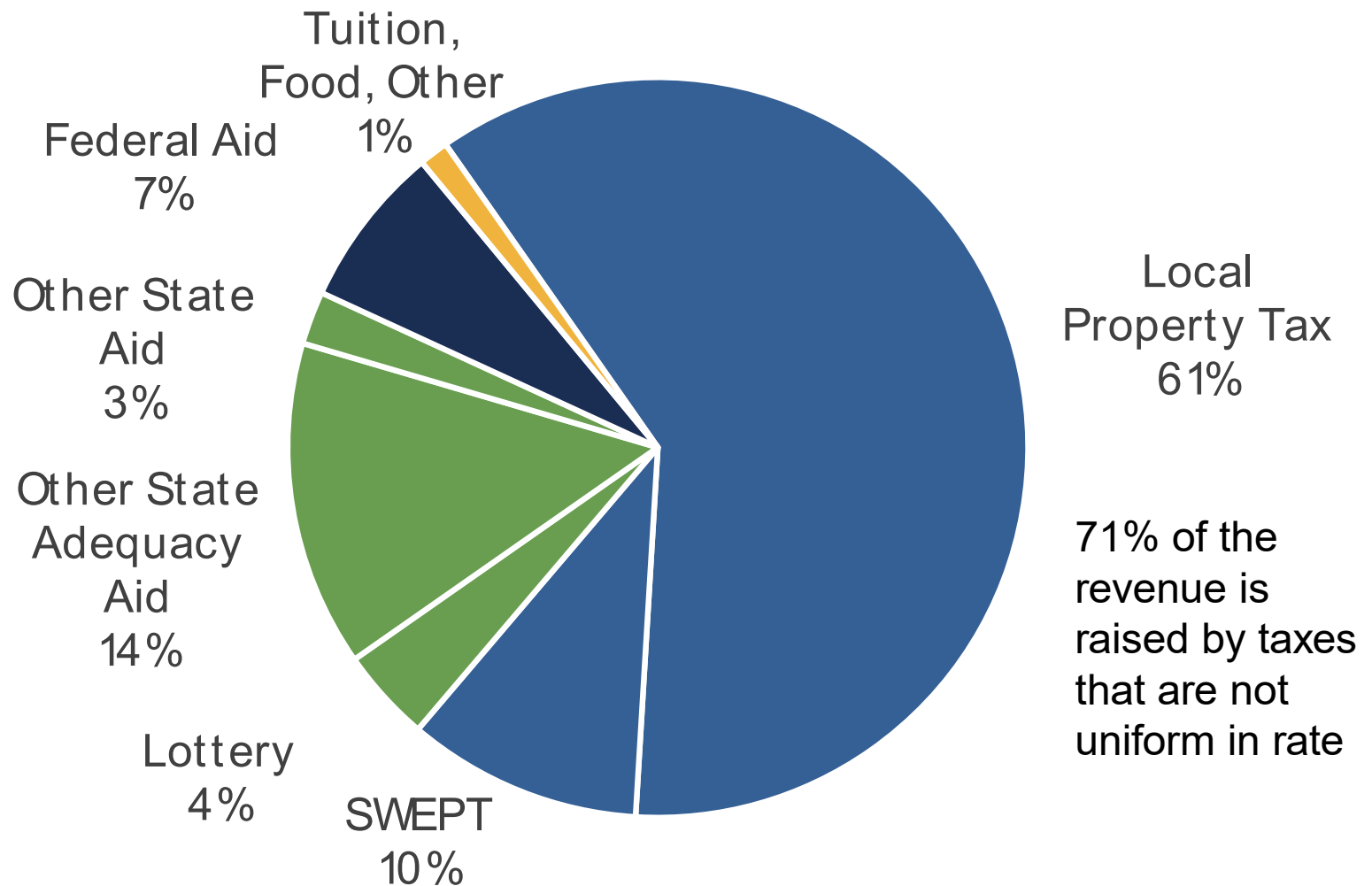


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## The Problem Lies with the Blue Portion of the Pie



# AIR Report: A Possible Path Forward

## *Distribution of Education Aid*

- AIR's education cost model (ECM) seeks to distribute nearly the entire sum of state and local education spending (~\$2.9B @ 2018)
- ECM aims to distribute aid to enable every district to achieve statewide average outcomes across three measures: assessment scores, graduation rates, and attendance rates.
- ECM identifies the key factors that affect those outcomes and assigns “weights” to those factors to distribute funding (such as free & reduced price meal eligibility, special education needs, and size of enrollment)



# AIR Report: A Possible Path Forward

## *Revenue Generation*

- Maintain existing state revenue sources flowing to Education Trust Fund
  - Examples: portion of BPT & BET, M&R, RETT, et. al.
  - Approximately \$600 million annually
- Fund remaining \$2.35 billion through either:
  - Focus was kept on property tax solutions

*Additional funds flowing into Education Trust Fund would mean lower statewide property tax rates*



# 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



# 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



# 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 |



# Summary - School Funding in New Hampshire

- Our school funding system creates inequitable opportunities for students and large differences in property taxes
- The state is not meeting its responsibility to provide an adequate education for every child
- The state is downshifting ~\$2.3 billion to local property taxpayers each year
- To address these inequities, we must return responsibility to the State of New Hampshire



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# How You Can Help

- Sign up for our newsletter tonight
- Talk with your neighbors and friends
- Ask candidates running for office about their stance on school funding reform
- Organize for another presentation here
- Write letters to local print publications



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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.



A photograph of a classroom with several students raising their hands. 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 on the left side of the image.

QUESTIONS?



NH SCHOOL

# Funding Fairness Project

Subscribe to our email newsletter here:

<https://fairfundingnh.org/subscribe/>



# Calculation of State Education Aid for Select Districts – FY22

*Note: Per FY22-23 budget, student counts based on higher of 2019-20 or 2020-21 figures;  
3<sup>rd</sup> grade reading uses 2018-19 figures as base for comparison*

| City/ Town   | Base           | Supplements    |                |                                    |                                   | Cost of<br>“Adequate<br>Education” |
|--------------|----------------|----------------|----------------|------------------------------------|-----------------------------------|------------------------------------|
|              | Each<br>Pupil  | Low<br>Income  | Special<br>Ed. | English<br>Languag<br>e<br>Learner | 3 <sup>rd</sup><br>Grade<br>Read. |                                    |
|              | <b>\$3,787</b> | <b>\$1,893</b> | <b>\$2,037</b> | <b>\$740</b>                       | <b>\$740</b>                      |                                    |
| Chichester   | 316            | 54             | 54             | 3                                  | 7                                 | \$1,417,143                        |
| Berlin       | 1,014          | 601            | 237            | 2                                  | 15                                | \$5,474,249                        |
| Claremont    | 1,648          | 799            | 335            | 8                                  | 23                                | \$8,459,786                        |
| Concord      | 4,031          | 1,470          | 689            | 269                                | 64                                | \$19,696,462                       |
| <b>Dover</b> | <b>3,497</b>   | <b>949</b>     | <b>726</b>     | <b>103</b>                         | <b>39</b>                         | <b>\$17,514,631</b>                |
| Hopkinton    | 959            | 73             | 167            | 3                                  | 16                                | \$4,123,765                        |
| Nashua       | 10,774         | 4,652          | 1,848          | 1,179                              | 123                               | \$54,333,672                       |
| Pittsfield   | 560            | 260            | 135            | 3                                  | 12                                | \$2,896,797                        |

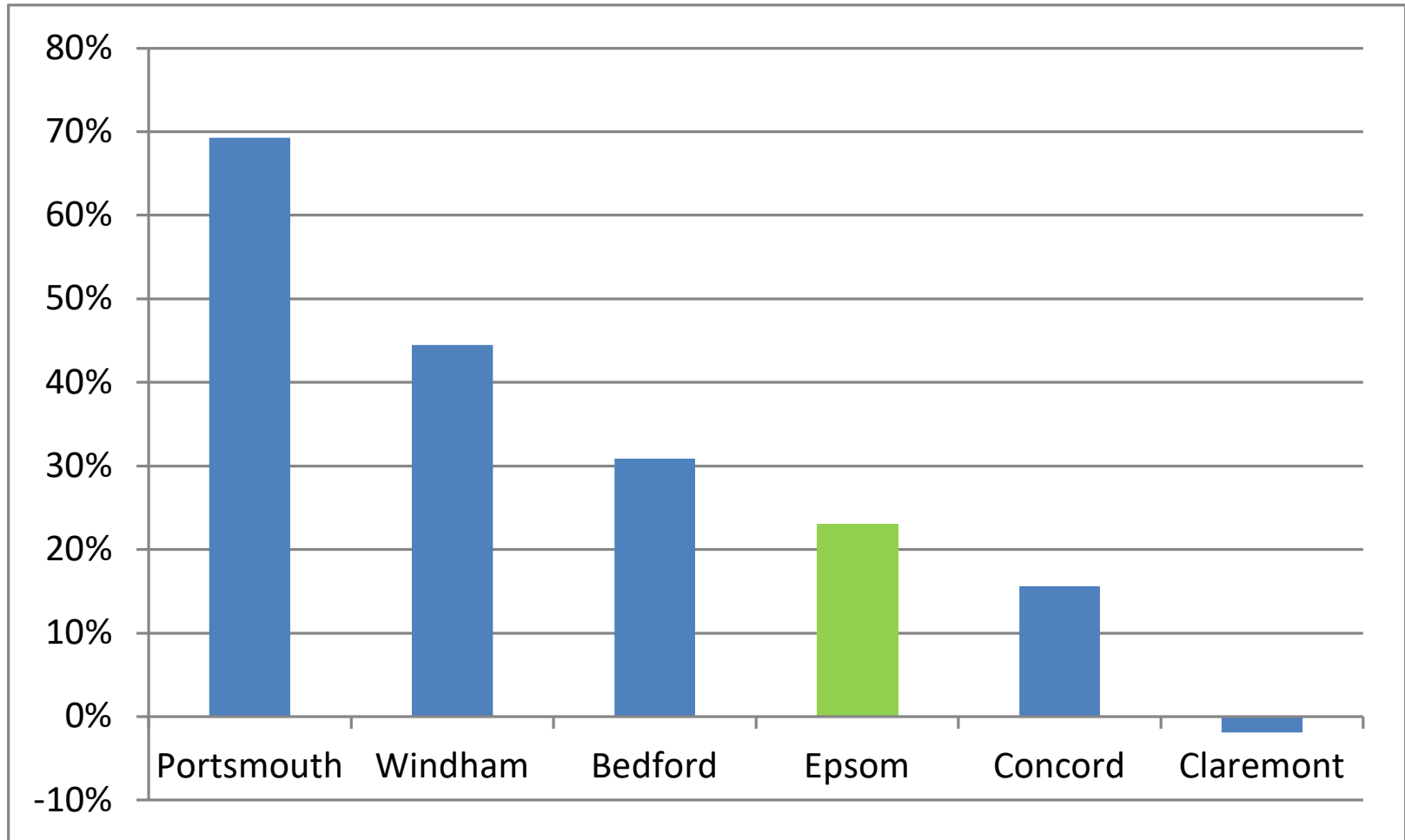
# Calculation of State Education Aid for Select Districts – FY22

*For 2021-22 School Year Two Additional Aid Types Have Been Added2*

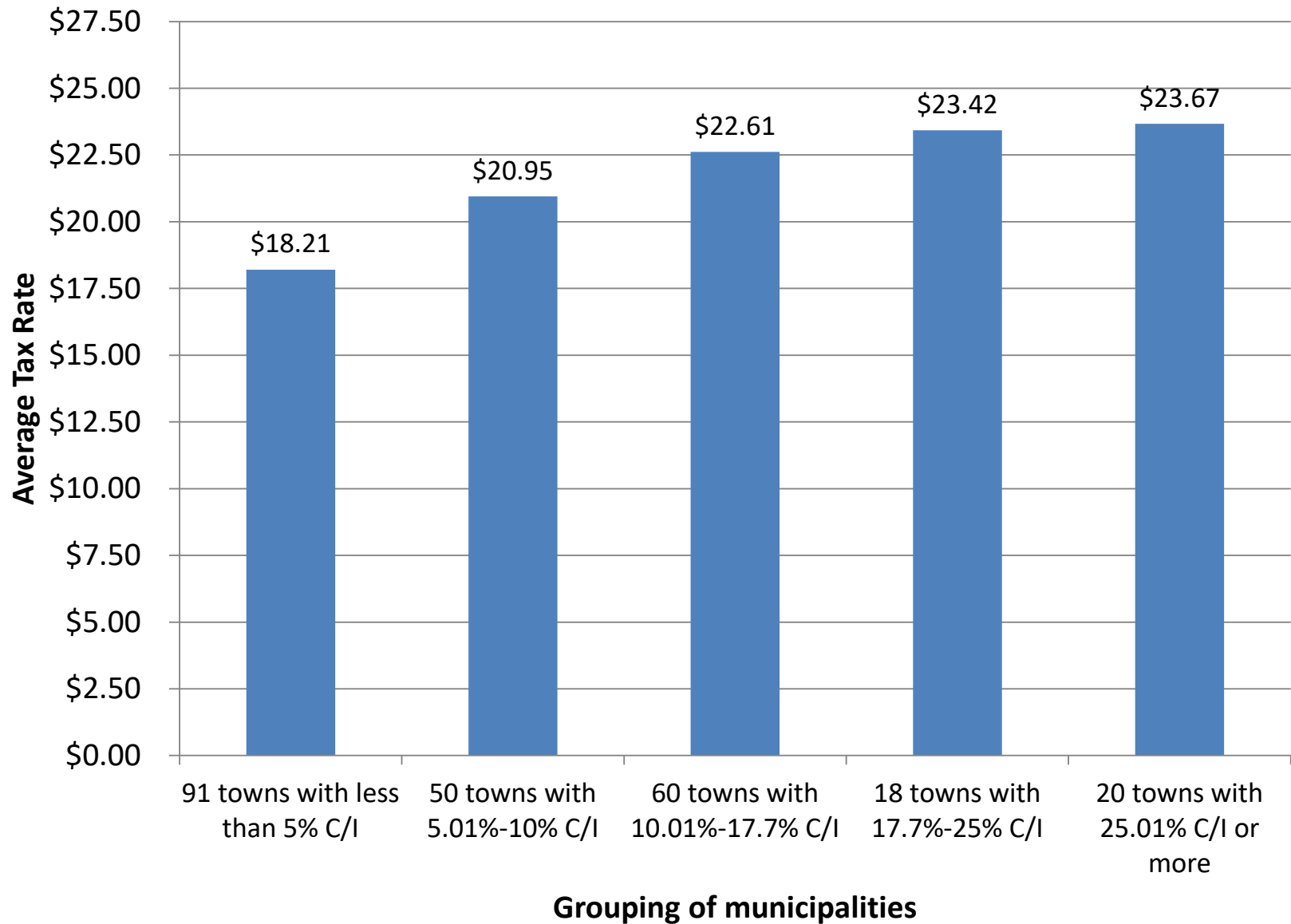
| Aid Beyond Adequacy |                         |                   |                  |                     |                       |
|---------------------|-------------------------|-------------------|------------------|---------------------|-----------------------|
| City/ Town          | State Cash for Adequacy | Stabilization Aid | “Relief Aid”     | Total Cash          | Total Including SWEPT |
| Chichester          | \$801,991               | \$115,615         | \$10,198         | \$927,804           | \$1,542,956           |
| Berlin              | \$4,828,899             | \$5,495,595       | \$320,947        | \$10,645,441        | \$11,290,791          |
| Claremont           | \$7,100,172             | \$6,282,807       | \$427,042        | \$13,810,021        | \$15,169,635          |
| Concord             | \$12,388,078            | \$1,794,128       | \$596,588        | \$14,778,794        | \$22,087,178          |
| <b>Dover</b>        | <b>\$10,420,989</b>     | <b>\$0</b>        | <b>\$329,704</b> | <b>\$10,750,693</b> | <b>\$17,844,335</b>   |
| Hopkinton           | \$2,689,160             | \$0               | \$0              | \$2,689,160         | \$4,123,765           |
| Nashua              | \$33,347,150            | \$4,793,937       | \$2,234,597      | \$40,375,684        | \$61,362,206          |
| Pittsfield          | \$2,321,764             | \$2,185,277       | \$134,247        | \$4,641,288         | \$5,216,321           |



## Change in Equalized Property Value, 2008 - 2020



## 2017 Average Tax Rates by % of Commercial/Industrial Property



# New Hampshire's Constitutional Responsibilities

## The Legislature Has Great Discretion about How to Raise Revenue

“Decisions concerning the raising and disposition of public revenues are particularly a legislative function and the legislature has wide latitude in choosing the means by which public education is to be supported...The legislature has numerous sources of expertise upon which it can draw in addressing educational financing and adequacy, including the experience of other States that have faced and resolved similar issues.”

*Claremont II, 142 N.H. at 476*



# Pandemic Impacts Vary Significantly from Place to Place

*Estimated changes in ADMA and ADMA-FRPL in select NH communities*

|                | ADMA   |        | CHANGE |        |
|----------------|--------|--------|--------|--------|
|                | 19-20  | 20-21  | #      | %      |
| Randolph       | 24     | 15     | -9     | -38.7% |
| Shelburne      | 31     | 20     | -11    | -35.9% |
| Lyme           | 277    | 269    | -8     | -2.9%  |
| Nashua         | 10,774 | 10,112 | -663   | -6.1%  |
| Manchester     | 12,716 | 12,082 | -634   | -5.0%  |
|                |        |        |        |        |
| Wilton         | 414    | 441    | 27     | 6.5%   |
| W'ville Valley | 20     | 62     | 42     | 204.8% |

|            | ADMA-FRPL |       | CHANGE |        |
|------------|-----------|-------|--------|--------|
|            | 19-20     | 20-21 | #      | %      |
| Shelburne  | 8         | 1     | -7     | -85.7% |
| Kensington | 31        | 10    | -21    | -67.8% |
| Lyme       | 27        | 15    | -12    | -44.8% |
| Nashua     | 4,652     | 3,179 | -1,473 | -31.7% |
| Manchester | 7,532     | 5,205 | -2,327 | -30.9% |
|            |           |       |        |        |
| Dorchester | 15        | 21    | 5      | 35.7%  |
| Orford     | 27        | 43    | 16     | 60.7%  |



# New Hampshire's Constitutional Responsibilities

## The Resources Needed to Achieve Adequacy May Differ from District to District

“We emphasize that the fundamental right at issue is the right to a State funded constitutional adequate education. It is not the right to horizontal resource replication from school to school and district to district.”

*Claremont II, 142 N.H. at 473-474*



# 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



## A Possible Lawsuit by Taxpayers?

- The Constitution requires that taxes for State purposes be equal in rate for all taxpayers. The requirement is being ignored.
- Property taxpayers in Marlboro are paying \$20.80 equalized tax rate for schools while those in Bridgewater are paying \$3.65 and those in Chichester are paying \$13.21.



# So, What's Next?



Over the next few months our Get on the Bus tour will bring us to 25 communities...



where we will educate citizens like you to understand the inequities baked into our school funding system and empower you to take action...



by talking to your neighbors and reaching out to elected officials and candidates to encourage them to prioritize fair and equitable funding for our schools!



# The Size of the Needed Reform

- In a recent poll 61% of residents support shifting much of the burden to the State.
- We estimate that \$2.3 billion of the \$3.5 billion being spent on our schools, needs to be raised in a different way.
- We will be identifying a menu of options in coming months.



# New Hampshire's Constitutional Responsibilities

## Four School Funding Duties

Throughout the past three decades, the Supreme Court has identified four core obligations that the Legislature and the State must meet:

- Define an adequate education;
- Determine its cost;
- Fund it with constitutional taxes; and
- Ensure its delivery through accountability.

*Londonderry School District v. State of NH, 154 N.H. 153, 155-56 (2006)*



# New Hampshire's Constitutional Responsibilities

## The First School Law Under the NH Constitution 1789

"the Select men of the Several towns & Parishes within the State be, and they hereby are, empowered and **required** to assess annually the Inhabitants of their respective towns, according to [a formula established by the legislature for] the sole purpose of keeping an English Grammar School or Schools..."

Any selectmen who failed to raise the legislatively mandated funds by taxation "shall forfeit and pay the full sum, which they shall be so found delinquent in assessing ... **which sum shall be paid out of the goods and estate of such Select men.**"

