

**COMMISSION TO STUDY SCHOOL FUNDING**

Legislative Office Building, Rooms 210-211

Concord, NH

Monday, February 3, 2020

Committee Members Present

Rep. David Luneau, Chair	John Beardmore
Rep. Mel Myler	Dr. David Ryan
Rep. Richard Ames	Dr. Susan Huard
Rep. Mary Heath	Jane Bergeron-Beaulieu
Rep. Rick Ladd	Val Zanchuk
Sen. Jay Kahn	Dr. Corinne Cascadden (*)
Sen. John Morgan (*)	Former Senator Iris Estabrook
Christie Dwyer	Barbara Tremblay

**(\*) By Conference Call-Zoom Technology**

(The meeting convened at 2:03 p.m.)

DAVID LUNEAU, State Representative, Merrimack County,  
District #10 and Chairman: Like to call to order the Commission to Study School Funding. Today is February 3<sup>rd</sup>, 2020, 2 o'clock. And I'd like to welcome everybody and thank you all again for taking time out of a busy day post- Super Bowl to spend time with us here.

I'd like to introduce some new members who have come on board since our last meeting. And I'll just start right around, you know, going around the table here. But like to introduce -- oh, and let me talk about how to use the mic, too. So for the members who haven't heard this instruction, or for any that have forgotten how to use the mics, if you're going to talk for a long time, like I'm sort of doing right now hands free, you push down and leave down the red button. And then when you're done, you just pop it up.

If you're going to speak momentarily, like, hey, I just got a question about something, you push and hold down the blue button and then release it when you're done.

So -- so why don't I welcome Chris Dwyer. She can give those mic buttons a try. Thanks.

(Chairman Luneau confers with Janet Clayman.)

CHAIRMAN LUNEAU: Did that apply to all the mics, Janet?

JANET CLAYMAN, Finance Committee Legislative Aide, New Hampshire House of Representatives: Yes. Sorry about the interruption.

CHAIRMAN LUNEAU: The instructions are fine, but we just -- the main power switch needs to be turned on.

MS. CLAYMAN: The on button.

CHAIRMAN LUNEAU: Thank you very much.

MS. CLAYMAN: Yep.

CHAIRMAN LUNEAU: So, again, I'd like to introduce Chris Dwyer.

M. CHRISTINE DWYER, Portsmouth, NH: Hello, everybody. I'm pleased to be here. Hum -- I am from Portsmouth. I just finished seven terms as the City Councilor in Portsmouth. And in Portsmouth the schools are a department of the City. So we handle budgets and familiar with that.

I've spent my career in education. I'm co-owner of a national company that does policy work and research and evaluation. My own work is in literacy and early childhood, for the most part, as well as evaluation and school reform.

I was a teacher in the North Country and have a master's degree from the University and on the University Foundation Board currently.

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CHAIRMAN LUNEAU: Terrific. Thanks very much, Chris. Next, I'd like to introduce Dr. Susan Huard and if you could test out your microphone and say a few words.

DR. SUSAN HUARD: Good afternoon, everybody. Very pleased to join all of you. I'm the very recently retired President of Manchester Community College. Still adjusting to this thing called retirement. I don't know if I'm going to make it or I'm going to flunk it. We'll see.

I share some of Chris' background. My undergraduate degree -- pardon me -- my graduate degrees were in literacy but for adults. I was at MCC for nine and a half years and before that 20 years in Connecticut. So I'm still recovering U-Conn refugee. And my work here has been all about access and opportunity. And so I am thrilled to be part of this because I think that's a major part of what you're doing.

CHAIRMAN LUNEAU: Terrific. Thanks so much, Susan. Thanks for being able to -- to join us in this endeavor. And then last, but not least, I'd like to introduce Barbara Tremblay. And if you could test out your microphone and say a few words.

BARBARA TREMBLAY, Keene, NH: I'll give it a try. I'm Barbara Tremblay. I'm from Keene. Taught French and German for a number of years. Then I was an administrator at Keene State College for three years, and then been a Principal and Superintendent, Superintendent in the SAU 29, which is Keene and six other Districts. And then I was Superintendent at Mascoma Valley Regional School District as well.

So I am retired, and good luck with trying to get through it. It's been a number of years, still not doing it. Obviously, I still stay informed. Besides teaching French and German way back, over the years since the mid-eighties, actually, I've been really concentrating on the brain and brain development, and how we learn, and why we learn, and so forth and so on, and do a lot of work at Harvard on that to stay in tune.

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Obviously, this Commission is of great importance to me, having worked in two very different systems. I know the issues that affect not only the Districts themselves but, obviously, the populations and the communities. So glad to be a part of it.

CHAIRMAN LUNEAU: Terrific. Welcome, and thanks very much, Barbara, for taking this on. So that actually brings our Commission up to full strength. So we've got -- we've got 16 members and appointed by combination of the Speaker, the President of the Senate, and myself, and the Governor. And -- and I, again, appreciate everybody's willingness to take -- take on this commitment, because it will -- it will take us through the better part of this year into next year. So thanks again very much.

Moving into the agenda for this afternoon, our first topic is to approve the minutes from our last meeting on January 27<sup>th</sup>. So I'd take a motion to approve those minutes if someone has one.

**\*\*** JAY KAHN, State Senator, Senate District #10: I move approval.

CHAIRMAN LUNEAU: All right. Senator Kahn has moved to approve the minutes, seconded by -- by Representative Myler. Give everybody a minute to give them a quick look. Just -- just one comment. These minutes were actually prepared by -- by the Carsey School. And just where we've got members at the top, probably good to indicate who's present and who is not present at the meeting just so that we know on that. And, otherwise, I think they look good. Anybody have any comments?

DAVID RYAN, School Superintendent, SAU 16: Dr. Cascadden was not present at our last meeting.

CHAIRMAN LUNEAU: Yeah, right. I've got three circled on here that were not present. Any further comments, suggestions, amplifications, clarifications? All in favor as presented? Any opposed? The minutes carry.

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**\*\*\* {MOTION ADOPTED}**

CHAIRMAN LUNEAU: Next I'd like to sort of jump down into items for discussion. And before we get -- before we go too deep, I just want to hit on the calendar very quickly. I want everybody to know that the calendar that we distributed last week and that was posted on the website is very much a draft calendar. It's very drafty. So if you see -- if anybody sees their name or reference to one of their organizations set up to present on a certain day, you will be contacted. We will talk with you about what -- what your availability is. This is just an attempt to put something together to lay out some presentations in an order that -- that we thought would make sense. Yes, Senator Estabrook.

IRIS ESTABROOK, Former State Senator: I just need a copy of the calendar.

CHAIRMAN LUNEAU: Okay. But what I did want to talk about today is that -- is that our next -- just talk quickly about the next two meetings coming up, February 10<sup>th</sup>, which is next Monday, 2 o'clock, right here. And my understanding, this was a great suggestion from -- from Mr. Beardmore last week is to really hear about court decisions. So we're going to try to tee that up for presentation next week, and then the -- the meeting after that will actually be Friday, the -- February 21<sup>st</sup>. The reason it's a Friday is because -- because we can't have it earlier in the -- in the week due to the President's Day holiday. And it be very difficult to schedule one the following week because it's more of the traditional February school break. And so I'm just trying to pick a time where I think we'll have more of us here. So that's our next two meetings. Next Monday at 2 and then Friday the 21<sup>st</sup> at 2.

With that, I'd like to turn it over to Bruce Mallory at the Carsey School so that we can talk a little bit more about the -- our proposed engagement with the Carsey School, answer any questions that members have, bring the members -- bring the

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Commission up-to-date on some things that have developed since the last meeting. And, Bruce, I turn it over to you.

BRUCE MALLORY, Professor Emeritus, Senior Advisor, NH Listens, Carsey School of Public Policy, University of New Hampshire: Thank you, Chairman Luneau, and good afternoon, Members of the Commission. It's nice to be back.

First thing I want to say is that help me make sure we wrap up this portion of the meeting by about 3 o'clock so the Department of Education has full opportunity to work with you this afternoon on the topics that they started to share with you last week and didn't have time to go through fully because your friendly professor here took up all the air time. Discipline me to make sure we finish up this piece by three.

So you have one piece of paper that has been distributed that simply says the Carsey School update and next steps. I'm going to be working off of that a little bit, just in terms of following the thread here.

The first item of business that the Chairman introduced is the action on the contract that we have proposed to fulfill the work that needs to be done on behalf of the Commission. Last week you were given copies of our proposal to the Commission dated January 27<sup>th</sup>. I do have extra copies with me today, if anybody would like that. So I see a few heads nodding. So if we can get these out. Jenn, thank you. So you'll have those for reference.

There are no substantive changes in this copy that we have in front of us today. Relative to last week I was mindful of the, for example, the suggestion that we be sure to include senior citizens and the key focus groups when we roll those out in the spring. And so that language was -- is added here as well.

We've begun to work with Chairman Luneau on communications on behalf of the Commission. It will be important that the

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Commission, of course, communicate to the public and keep it informed about its work. And there will be a lot of -- there's, of course, a lot of public interest in this and media interest, and so we're feeling our way through what that would look like.

The principle that we'll operate from is that any press releases or communications to the public or the media are from the Commission, not from the Carsey School. We will help draft communications, press releases, media releases, but any statements about the work of the Commission, its progress, its -- the issues that it's dealing with, et cetera, will be from the Commission, from the Chair, on behalf of the Commission. And so we'll just -- we'll stick to that principle unless there's other concerns about that. Again, we'll help with drafting, with identifying sort of communication strategies --

CHAIRMAN LUNEAU: Dr. Mallory --

DR. MALLORY: Yes.

CHAIRMAN LUNEAU: -- would you be willing to take questions as we're --

DR. MALLORY: Sure, please.

CHAIRMAN LUNEAU: All right. Great. Representative Ladd.

RICK LADD, State Representative, Grafton County, District #04: Thank you very much, Mr. Chairman. And thank you for taking my question. When I spoke with Representative Luneau prior to this meeting, I had a concern regarding the communications, and the time frame, and the scope of work, and how we get feedback as a commission.

DR. MALLORY: Hm-hum.

REP. LADD: And if we have a flight path we're going for the next year. Along that flight path, I'd like to see some benchmark dates in which there's a report that's presented back

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to this Commission where we -- what we've done, where we've gone, and for us also have a chance to interact and say, you know, perhaps this is where we might want to go. So the pluses and minuses can be talked about at that time. Is that possible?

DR. MALLORY: It is. I think that's our intention. My intention is to attend all of the meetings of the Commission, whether I have a role or not. And, if necessary, I can provide updates at any point that you'd like them. We should probably identify at least monthly summary, sort of updates about our planning and what we're hearing. Any time we do the public engagement work, we'll be summarizing that work and giving you those reports in real-time as quickly as possible.

When we contract with research vendors or other partners of any kind, I'll be asking them for regular reports which they'll then turn immediately over to the Commission as well. So yes. And the last point that was made, Representative Ladd, was time within this group just to have its own conversations. So what I envision is that after this initial period of hearing from a number of associations, organizations, individuals, you're on your sort of discovery mode right now, that you'll -- you'll need time to stop and pause and ask each other what did we hear, and what is that beginning to tell us? And are there certain threads we should be pursuing? Or is there -- are there gaps in our knowledge that we need to be filling? So that kind of conversation seemed to me to be critical, especially after this first phase of a lot of input.

CHAIRMAN LUNEAU: Right, and certainly progress against milestones, you know, as well. So I think having a fairly regular reporting on that is a very good idea, Representative.

REP. LADD: And I would appreciate that. We have a 65/25 plan in the state, and the Legislature is very curious to know where are we on that effort to ensure that 65% of our employment force out there has a four or 2-year degree or a specific skill. And I really am, you know, and then we hear we're still down

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around the rate of 50 something percent, so. And we're getting close to 65, our year 2025. So it be nice if you could give us -- we could set some benchmark dates in which there's a report back to us.

CHAIRMAN LUNEAU: Right. Thank you very much, Representative Ladd. And, actually, in the draft calendar we've got some -- that is one of the topics to have. Thank you very much.

And I'd also like to just remind the Committee Members that -- that in case you can't be here, you can always dial in. And the Carsey School working with services here at the State House have set up a dial-in number, and I believe Dr. Cascadden is with us on the dial-in. Can you hear us okay? Corinne? She may be muted on her end. But I just want to make sure that she can barge in. Maybe she'll text me if she needs to barge in and ask a question, so. But welcome, Dr. Cascadden. Thanks for being with us. Bruce, back to you.

DR. MALLORY: Yes, thank you. I also wanted to point out that we do -- we're not doing this by ourselves. There are other really valuable resources in our state that can help the Commission in its work. And so, for example, we'll be coordinating our work with Reaching Higher New Hampshire which is doing very important research, really at the district level and school level around educational outcomes, as a function of and related to school funding, both local school funding, as well as the statewide allocations. So tomorrow I'll be meeting with their staff to talk about that, how best we can align our respective responsibilities in the Commission's work. And we've also had initial conversation with New Hampshire Citizens Count which provides -- as legislators, you're aware of their interest in legislative activity and in significant public issues, and they provide a resource to New Hampshire residents, an on-line resource for people to both become informed and also to register their points of view.

Granite State News Collaborative is also very interested in this work that the Commission is doing. It's sees education

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funding as one of its three areas of main focus right now. The News Collaborative is made up, as I understand it, 17 media partners within the State of New Hampshire. And so some coordination of the information that's flowing out to the public through media will be critical as well. So I just wanted to say that.

The last thing I'll say about the contract, and then turn it back to the Chairman, is that one of the questions that has come up about the contract is the University's charges for what we call Facilities and Administration, F&H charge, or indirect cost or overhead charge. And, initially, we have to operate by the University's policies. And so we write a budget that reflects University's policies, the rate that was to be charged on this contract, because of those policies, agreed upon and approved by the State, was about 26% the effective rate landed at about 17% if you take some of the subcontracts out. And maybe I'll stop there and ask the Chairman to sort of fill in the story as we know it as of today.

CHAIRMAN LUNEAU: Sure. So I -- I did -- I certainly had received -- some people had entered some concerns with respect to administrative and facilities charge. And over the past week my understanding is that has been negotiated way above my pay grade, which doesn't take very much here in New Hampshire. And that's been negotiated down to \$40,000. So the recommendation here would be to take that -- that savings of about \$50,000 and put that into an undesignated or reserve fund to where the Commission could apply that or not apply that as it sees fit.

What I'd like to do is work with Dr. Mallory, Administrative Services, and University System to -- to take a look at that undesignated reserve, maybe also put some of the -- of the funds that came out of the whittling away of the administrative cost start it at \$130,000 and then we get it down to 87 and now down to 40. Maybe putting some of that also into undesignated reserve so that it is a meaningful enough amount of money that -- that if -- if the Commission needed to do something with that, whether it's, you know, contract work,

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whether it's extension work, whether it's something like that, we'd have something to work with.

So what I'm looking for this afternoon is -- is -- is the -- I guess the understanding from the members of the Commission for me to work with Dr. Mallory, work with Administrative Services, and work with -- with USNH to complete a -- complete the contract within the parameters we just discussed. And, in addition, I should add one of those parameters would be progress payments to over the course of the next 12 months so that -- so that it's not just all, you know, one sum paid upfront. And I think that ties in very well with -- with Representative Ladd's, you know, questions about progress reporting. So Senator Estabrook.

SEN. ESTABROOK: I thank you. I just have a question on the budget. On the proposal that was shared with the Committee last week, there's \$200,000 of that applied to research and says subcontractors and Carsey staff. And then in the additional document we got today, under other considerations, it says budget not to exceed \$100,000. I think that means for the RFP. So it's not clear to me whether we are spending \$200,000 on subcontracted research and I say it's more than research. I understand what we are proposing to do is subcontract with someone who models costing. So how much is available to do that?

CHAIRMAN LUNEAU: Could you address that, Dr. Mallory?

DR. MALLORY: Sure, be glad to, Senator Estabrook. So the amount of the total allocation here is as you say \$200,000 for research. The RFP, which we'll get to in a minute, envisions at least one, if not more than one, subcontractor and that language and that's draft language, so I'm here to take your feedback on that as well, can easily be changed. I wanted to leave enough sort of open-ended language there, at least in our conversation today, that we can envision contracting with multiple providers, none of which of those individual contracts at this point, anyway, would exceed 100,000. So the total effort around research, and I'm using research in a broad sense here,

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including cost to modeling, would be up to \$200,000. Where it says, and Carsey staff, it may be that there's some particular piece of work that Carsey is well positioned to carry out, and there it would be 10,000 or \$15,000 of that \$200,000, not a significant amount. The vast bulk of that research is absolutely dedicated to external vendors.

SEN. ESTABROOK: If I could follow-up?

CHAIRMAN LUNEAU: Yes, follow-up. You may.

SEN. ESTABROOK: So I can follow-up briefly and thank you for the explanation. So there's also the possibility that the Commission might decide to subcontract with one vendor at \$100,000 and leave \$100,000 of expense in that category?

DR. MALLORY: I can't imagine leaving it unspent. I think we are going to need significant research resources here. And so it may be that the language on that just that RFP discussion paper is to be shifted a little bit to make that clear that we will be expending up to \$200,000 anyway.

CHAIRMAN LUNEAU: Yeah, thanks very much for the clarification. Senator Kahn.

SEN. KAHN: I just -- want to second that motion. I think that's important. I mean, we're still going to spend time on this RFP in the next meeting.

DR. MALLORY: Yeah.

SEN. KAHN: I'd hate to -- it's one of those predetermined items that I think we should stay open on and allow for proposal to come forward to us and timelines that fit our timelines and without an expectation of what the -- what the vendors costs ought to be. All right.

CHAIRMAN LUNEAU: Right.

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SEN. KAHN: I think her -- Miss Estabrook's comments are right on and I appreciate them.

CHAIRMAN LUNEAU: Great. Thank you very much, Senator. Miss Dwyer.

MR. DWYER: Agreed. I don't need to add.

CHAIRMAN LUNEAU: Okay. Thanks. Yes, Representative Ladd.

REP. LADD: Thank you. While we are talking subcontractors here on Page 3 under number two, there is a sense I'd like to have you please explain to me what this really means. It says to assure independence in the process, the Carsey School will retain authority for final selection and/or oversight for all subcontract contracts awarded in this project. Now, my concern is, is not the Commission responsible and is the Carsey School going to be able to override a decision of the Commission?

DR. MALLORY: Chairman.

CHAIRMAN LUNEAU: Yes, Dr. Mallory.

DR. MALLORY: I think that's an appropriate question. I guess my intention here is not to control the Commission's decisions by any means. I actually -- I guess what I have in mind here is that any liability that might be or exposure around liability here should be borne by the Carsey School if we are the ones signing the contract, because the funds will flow through the Carsey School. We'll sign the contract between the University of New Hampshire and whoever those vendors are. And so it seems to me like we're holding, as I say, the liability and some risk if they don't deliver or if there's some other things go south. And I think, ultimately, or also asking us to provide oversight over those contracts once they're awarded.

So I'm happy to change the language to assure that the Commission makes decisions that it deems necessary to make. I don't mean to overstep our -- our own authority or bounds here

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at all. So maybe clarification about that decision about choosing the contracts needs to be clarified.

CHAIRMAN LUNEAU: Right. No, thank you very much, Dr. Mallory. Thank you very much, Representative Ladd, for raising that because I think that does help to, you know, explain what that is as far as an accountability line; but my understanding that all subcontracts and all contracts are subject to -- to the Commission approval, including what comes back through the RFP process. And that, you know, we'll also have opportunity to meet with those -- those responders --

DR. MALLORY: Yes.

CHAIRMAN LUNEAU: -- as well.

REP. LADD: So in follow-up, can we -- and somehow address the issue of final selection in your redraft?

DR. MALLORY: Yes, absolutely.

CHAIRMAN LUNEAU: Great. Thanks very much. Further questions of Dr. Mallory?

REP. LADD: I have further questions.

CHAIRMAN LUNEAU: Representative Ladd.

REP. LADD: On the -- on the last page we are dealing about the budget facilities and administrative costs. When we're talking about the facility cost, when we are talking electricity and air and these indirect overhead costs and heat, those type of things, where that's already in the UNH budget, are we then also going to have to pay as another governmental agency or Commission paying for something which is already paid for by the University or should we just be calling this administrative fees?

CHAIRMAN LUNEAU: Dr. Mallory.

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DR. MALLORY: Representative Ladd, the language you see here is taken directly from UNH policy documents. Of course, approved by our Trustees. My understanding is that the appropriation that the University receives, the University System receives from the Legislature is primarily to cover instructional costs. Research costs incur their own additional expenses to carry on our research activities. And I'd be happy to defer to Senator Kahn in a minute here as well and others of you who have worked with University System Board of Trustees. It's necessary for our research university, and this is national practice, to assign F&A costs to those activities that are necessary to carry out its research mission, all the infrastructure, all the compliance activity, the reporting activity, et cetera, and these kind of facility costs you see listed here as well.

So I don't believe that there's double dipping. I don't believe that the portion of this grant that goes to the University now at about 8% of our total direct costs at that \$40,000 is duplicating in any way allocations, appropriations made by the Legislature to the System. But, again, happy to defer to others of you who have been in this game as well.

CHAIRMAN LUNEAU: Thank you very much, Dr. Mallory. Yeah, my understanding that is precisely the line where there's been substantial negotiation over the past week. And I appreciate the work to negotiate that amount down to \$40,000. And I believe it involved the Chancellor's Office, the President of the Senate's Office, the Speaker of the House Office, and like I said, way above my pay grade.

DR. MALLORY: Mine, too.

CHAIRMAN LUNEAU: But I appreciate the work on that, and -- and the Commission's willingness to put those now unmarked funds as undesignated or reserved funds that we'd be able to use. Further questions?

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So at this point, I'd really like to take the temperature of the members of the Commission and -- and see if the Commission has reached a point where we can finish off this negotiation based on the parameters that we talked about here today working directly with Dr. Mallory, the University System, and Administrative Services to get this done. And I can take that on for the Commission. So how do people feel about that? Is there a motion to make that happen.

RICHARD AMES, State Representative, Cheshire County, District #09: I would go ahead --

CHAIRMAN LUNEAU: Go ahead.

\*\* REP. AMES: I would make that motion. It would be to, as I understand it, authorize the Chair to proceed with negotiating and bringing to an end an agreement with the Carsey School consistent with the presentation that we received and these discussions that we have just had.

CHAIRMAN LUNEAU: Thank you very much, Representative Ames. Is that seconded?

SEN. KAHN: Second.

CHAIRMAN LUNEAU: Seconded by Senator Kahn. Is there any further discussion on this? Representative Ladd.

REP. LADD: Yes. When I sat for a short time as a Trustee for the University System of New Hampshire, I was concerned about you called it double dipping. I don't call it quite double dipping. But where you're accounting for our cost in one place and then again in another place in the budget. And if you're going to be receiving -- I'd rather see that latter part called administrative costs and taking facilities out of the game because the facilities are there. They're paid for by the University System. You're heating the building regardless, electricity's in the building regardless. Any reference to that I have a difficult time. If that could be incorporated in taking

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out the facilities and leaving it as administrative costs, I got that. And I would prefer, Mr. Chair, that we leave it like that, and then I can support where we're going.

CHAIRMAN LUNEAU: Thank you very much, Representative Ladd. Is that a possibility?

DR. MALLORY: Chairman Luneau, I don't nearly have the authority to change University policy here or the language in our policies. I think that if you want to pursue that, you need to do that with University System and the Trustees.

CHAIRMAN LUNEAU: Okay. So, yes, Senator Kahn.

SEN. KAHN: Because Provost Mallory and I share a past involving -- I mean, that's -- facilities and administration are the -- it is what we expect the Universities to do and the University System, is to recover facilities and administration costs for their research efforts. It is a cost recovery. I know that you get charged for every square foot that -- that is occupied by the Carsey School. And that part of your holding costs down for students is just this, right, the ability to charge in an indirect way because you don't want to say that it's 5% of this time and, I mean, you just do it. And this 8%, I got a -- in my experience that's the rock bottom number. In fact, every time -- any time we did something with the State when there was a default number -- Mary, you probably recall with the Department of Education, if Keene State had a contract and we couldn't arrive at a negotiation, it just dropped to 8% of whatever the cost is. So I think it was a little difficult to watch that evolve, but it is -- it is what I think the State has established as the minimal charge for facilities and administration recovery.

CHAIRMAN LUNEAU: Right. Thank you, Senator Kahn. And my understanding is that -- is that we really reached, I think, you know, a place where -- where all of the, you know, the people involved in this were satisfied with the outcome, the

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Chancellor's Office, the President's Office, the Speaker's Office. So Representative Myler.

REP. MYLER: Thank you, Mr. Chairman. Now those of us who have negotiated contracts before know that there's a point in time in those negotiations when the deal is struck. The deal has been struck, the State and the Carsey School have come to an agreement. We now need to move forward because that deal has been consummated.

CHAIRMAN LUNEAU: Thank you, Representative Myler. So further? Representative Ladd.

REP. LADD: One more point of clarification. I think it can be resolved. Where I'm looking at where you have in the budget cost \$87,698, that's under UNH Finance and Administration Costs. Why are we not using the same terminology down below because you have the asterisk there and then you have the asterisk down below and you're speaking down below to Facilities and Administrative Costs. Why aren't we calling it the same in both places?

DR. MALLORY: Representative Ladd, my error. The current file document that I have changed the one above to UNH Facilities and Administration charge.

REP. LADD: So the opposite. Okay.

DR. MALLORY: Thank you.

REP. LADD: Thank you.

CHAIRMAN LUNEAU: So unless -- unless there are further questions, we've got a motion made by Representative Ames, seconded by Senator Kahn, so that we can move forward and put together a completed contract with the Carsey School. So I'm going to do a show of -- take a show of hands. All in favor? Any opposed?

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\*\*\* {MOTION ADOPTED}

CHAIRMAN LUNEAU: Let the record reflect, all in favor, none opposed. Thanks very much. We'll proceed according to the Commission's authority.

Next up, I'd like to -- so we're sort of following towards the end of discussion and then into presentations, but the two are related. And the first part would be a discussion of the methodologies that we heard Dan Thatcher from NCSL speak about last week. And these are the costing-out methodologies for school funding. So I think maybe an opportunity here for -- for Dr. Mallory and Jordan Hensley to lead us in a robust discussion on that. And then -- and then Dr. Mallory is going to present us with a starting point, a framework for an RFP, and these are some of the RFP models that -- that -- that Mr. Thatcher discussed with us last week. So I'll turn it over to Bruce and Jordan.

DR. MALLORY: Thank you. So let me introduce to you Jordan Hensley. He's a Policy Analyst at the Carsey School. He'll be working with us throughout the year at a fairly significant level; close to half of his time will be spent on the Commission work. I'll just point out what you have in front of you, and then he'll orient you to that a little bit more.

The purpose today is just to begin to dig deeper into these methodologies that Dan Thatcher introduced to us two weeks -- a week -- at the last meeting. So you have a one-page sheet that says *Types of "Costing-Out" Studies*. And the language on the top of that page, the beginning of that page comes from Dan Thatcher's presentation, the four sort of models of costing-out methodologies. And then what's at the bottom of the front page and on the back page are just additional resources gathered by NCSL, really current contemporary examples of school financing and adequacy studies in a number of states around the country. And so the other resource that you have is this slide set from Jesse Levin, colleague of Dan Thatcher. Levin's at the American Institutes for Research. So I'll stop there.

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JORDAN HENSLEY, Policy Analyst, Carsey School of Public Policy, University of New Hampshire: Great! Thanks, Bruce. So, yeah. So I was asked to talk just kind of briefly, just give a very high-level, quick overview of some of the methodologies that have been used in the past in other places to study school finance. And so you can either look at the summary sheet here with the types of costing-out studies or if you want to look at the slide deck. I'm going to read mostly talking about section two which is Overview of Adequacy and Costing-Out Methods.

And so there are four main methods. Two are input methods and two are output methods. And so the two input-oriented approaches are Evidence Based and Professional Judgment. You'll see those abbreviated often as EB or PJ. So especially if you're looking through a lot of the resources that Dan Thatcher provided us from the NCSL, you're going to see these abbreviations all the time. So I advise you to get familiar as best as you can. I know when I was reading through some of the literature, I had to kind of wrap my head around this.

So the two input-oriented approaches are evidenced based, professional judgment, EB, PJ; and the two outcome-oriented approaches are Cost Function, CF, and Successful Schools, which are often called SSD. And so Levin and others talk about some of the key cost factors that have to be taken into account. Student needs. Obviously, there's a multitude of those. The scale of the operation and enrollment size, and then the price level of inputs.

So I'm going to go through quickly just the four different types here. And so evidence based, basically, you're taking selected studies of educational effectiveness from the research literature, and you're trying to determine the per pupil cost for both personnel and non-personnel resources. So there's some different pros and cons of this. You know, it's intuitive, it's practical. You can look at the literature and say, okay, well, based on previous studies, we know how much this personnel -- these personnel costs are, we know how much these

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non-personnel costs are, and you can really take research that's been done, that's been peer reviewed, and you can turn it into a contract dollar amount. But evidence, you know, quality is key. It's difficult to make sweeping assertions. You know, the different unique characteristics of any particular School District or the uniqueness of New Hampshire may not be taken into account by national studies or studies that have been done in other places. And so the outcomes that you can measure are also limited to those that are found in the research literature. So you have to take those into account when you're looking at evidence based, EB.

The second kind of input-oriented cost methodology is Professional Judgment, and that is where you convene comprehensive panels of educators and experts to do a similar kind of process where you're trying to determine per pupil costs; but instead of using the literature and research to inform, you're saying these are the people that are experts in education, that are experts, you know, are working in the field. They are educators. And this in their professional judgment are the resources you need, and then use that to create a cost function.

And so the pros of that that it can accommodate a wide range of outcomes, because you're not necessarily bound to what's just in the literature. You have people that are experts in the field that are doing this that can use a more holistic approach. It's transparent, it's context sensitive, and often it involves stakeholders which is nice. So those are the pros.

The cons, you know, there's a risk of overly-rich school program resource specifications. So these experts may be talking about an ideal -- an ideal specification, not necessarily what you see on the ground. They're based on hypothetical relationships. So they haven't necessarily been borne out in the research. These are people who are experts; but, you know, there's not -- there's not a background necessarily to validate these things. It also requires a lot more effort. So those are the two input-oriented ways of costing-out.

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So then the outcome-oriented there are Cost Functions, and then there are Successful School Districts. And so Cost Functions is you take an average cost per student and for a specific student populations, and you statistically evaluate the relationship among spending, outcome, and everything that's involved. So you basically are creating a model where you have per pupil spending on one side, and you have outcomes, student needs, cost factors, price levels, everything on the other side. And so taking all that together, you're creating a formula to see how much you should be spending per pupil. And so the pros of that are that it's grounded in real data. You know, you have spending numbers. You know what the outcomes that you want are. You can look at empirically validated relationships between spending and outcomes to try to create the best cost function possible, and it does generate a measure of efficiency.

However, it's not particularly transparent. You have kind of this black box of all these different items that go into the cost function. It's not easy to explain. And then outcomes are limited to folks where you have data collected. So outcomes are not necessarily always going to be aligned with those the policymakers are interested in.

If you have a certain set of outcomes that you're looking for, if those haven't been empirically validated in the literature to create these cost functions, you're not going to be able to create the cost function necessarily to do that. It also requires a lot of data and so if you're data's problematic or there are any kind of issues, then you will run into trouble.

And so then that brings me to the final type of costing-out study which is Successful School Districts or often referred to as SSD, and that's where you determine adequate costs by calculating the average expenditure, typically the lowest spending among Districts that have been identified to be successful in terms of academic achievement. So you say, you know, these are the schools that are doing the best. These are

the schools that have great outcomes. How much are they spending? That's probably a good baseline.

And so the pros of that are that it's intuitive and practical. It's transparent. It's easily explainable. It requires less effort. You don't have to bring in a bunch of data. You just need data from those districts that have been deemed successful. But the method does fail to control for any cost factors, things like student needs, the scale of operations, or input price levels. And often a lot of times what happens in these SSD studies is that they trim out higher spending successful schools, and so you say these are the schools that are having the best outcomes while also spending the least. Well, we should get everybody to them, and they're not necessarily always considering what are some of the external factors that may be -- that may be leading to those kinds of outcomes.

So the SSD and the cost function are very similar; but one is trying to really quantify everything that goes into student success and funding, and one is, you know, taking it a step up to the school or district level and just trying to emulate that and saying, well, if we give you that much money that's -- that should be successful.

And so those are really the four different kinds. And so you have the two input-based, professional judgment and evidence-based, and the output-based, which are successful schools and cost function.

DR. MALLORY: And I think that the material indicates as well the possibility of hybrid.

MR. HENSLEY: Yes.

DR. MALLORY: You know, some combination of these. And, again, we're still at the introductory level. And I think we just want to keep these options in mind as we get into the RFP process with our external vendors, and as you frame the specific

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questions you want answered. That's -- that's going to be the most important, at least in the early phase here part of the process is what are the questions you want answered. And then we ask, okay, what are the best methodologies to answer those questions.

CHAIRMAN LUNEAU: So thank you very much, Jordan, and thank you very much, Bruce, for that. I don't -- and I don't mean to jump ahead to -- to the RFP framework because I know that's coming up. But -- but are -- does the Commission need to make some type of determination prior to the RFP or is this a see what comes back from the organizations that respond to the RFP in terms of -- in terms of what their costing-out methodologies may be?

DR. MALLORY: Yes, I'm operating on the assumption that the potential vendors have a thorough understanding of these models and these options. Any vendor that doesn't and tries to -- puts a proposal in front of us, I'm sure we're not going to proceed with. So it's a balance between putting some boundaries around what it is the Commission needs, but not overly defining that on the front-end because a vendor may come -- a potential bidder may come in with a creative sort of novel approach that's grounded in existing practice but is more custom -- customized and appropriate for New Hampshire's situation. So it's -- we're walking that line and it's fine -- of course, we're going to get into the RFP topic -- walking a fine line between making clear what it is the Commission needs, but not defining that so narrowly that we exclude some either vendors or methodologies that might turn out to be really useful to the Commission.

CHAIRMAN LUNEAU: Right. Great. Thanks. Ms. Dwyer.

MR. DWYER: But I wonder if it would be helpful to have enough of a discussion that the RFP suggests -- doesn't let people think, at least the way I'm thinking now, that only one of these approaches would be appropriate. Because we have to be a little bit future-looking here. I mean, look at how long this lasted. And it seems to me that since the time when some of

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these models were developed the evidence-based related to costing is improving all the time. And -- and so I would -- I would want somebody to be looking forward on that and particularly now that IES is requiring cost studies for all of their funded research that we have a lot more information than we did even three years ago that will strengthen some of -- some of these.

And we also have an increasing interest in other kinds of outcomes that people do not have trend data for. So that's -- that suggests to me that we would never be -- I speak for myself -- we would not be interested in a proposal that was focused on one model. I wonder if you could say that right now.

CHAIRMAN LUNEAU: Yeah, thanks very much, Ms. Dwyer. Dr. Mallory.

DR. MALLORY: Yes. No, that is -- that's the point I hope to make is that is the drunkard search, you know. The drunkard who's searching for his keys at night out on the street, fumbling around trying to find them. Passerby comes by, asks the person what's -- what's the problem? What are you looking for? Well, I lost my keys. Passerby says, well, where you'd lose them? And the drunkard says, well, down there at the corner where the street light is. I'm sorry. I lost them here -- I lost them -- he's down at the corner under the street light. I lost them down there in the dark alley. Why are you searching for them here? Well, that's 'cause the light is here even though the keys are down there. Sorry, I blew that analogy.

But, in any case, we have to align methods with your questions and some combination of these methods or being open to something that a vendor, a bidder, would propose is critical to us in this process.

CHAIRMAN LUNEAU: Right. Thanks. Senator Estabrook.

SEN. ESTABROOK: Thank you. Yeah, I was going to say we don't really know what the questions are yet. We haven't

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listened. It seems really early for us to be putting any kind of tight frame around an RFP. So I'd agree with keep it as broad as possible.

CHAIRMAN LUNEAU: Great. Thanks very much. Senator Kahn.

SEN. KAHN: So we'll be looking for a multifaceted, multiprong kind of study. That's -- I think that I hear that. But I also recognize that we're going to need to articulate some questions. Are we driving to particular outcomes that we want for each district? Are we looking for a certain impact on the properties in those districts? I mean, we're going to need to sort through those kinds of questions, which I think leads me to a more general. We have, as we're going to see today, a good amount of information with our Department of Education in the state. And the extent to which we're going to offer that information to the vendor of choice could shape their number of hours that they have to put into the gathering of information. It could shorten our timeline dramatically if there's certain information that's both outcome and input-oriented from the Department relative to proficiencies and assess evaluations and, you know, current adequate education, costing, and the basis of it. There's just a variety of stuff. I think I don't need to go on without just, I think, understanding and maybe setting up Miss Davis' discussion with us about how much engagement and sharing of resources by district is going to be possible to assist the vendors.

CHAIRMAN LUNEAU: Right. No, I think that's very -- very well put, Senator Kahn. I have a question that I think comes from, you know, conversations I've had with a number of people around -- around this table. When it comes to looking at -- looking at a cost model, you know, in business, a lot of times we look at -- we look at, you know, fixed and variable costs, and I think education has that type of --

DR. MALLORY: Sure.

CHAIRMAN LUNEAU: -- or can have that type of structure to it as well. You know, I think a great example is -- is look 100 miles north at -- at Berlin and how closing their last elementary school, say, reduced their budget by a substantial fixed amount. Of course, they still have, you know, the variable costs associated with -- with education.

Another way to look at it is how -- how once you have a building, it's that first student that costs you a tremendous amount of money and then incrementally that goes down. So I was wondering if you could comment on whether these costing models can look at that fixed and variable component structure.

MR. HENSLEY: Yeah. I mean, they absolutely can. If you're creating a cost model, it's not necessarily -- I mean, there are obviously differences in education and business. But the principle exactly as you're saying is -- is the same. And they can take that information into account, you know, and then they're just going to -- it's -- the question then is, you know, adequate and averaging across the state and figuring out a way once you've created the questions that you want answered, in particular, then what are the inputs we need to know of both fixed and variable costs that will lead us to the answers to those questions.

CHAIRMAN LUNEAU: Thank you. Thank you, Mr. Hensley. Any other questions about -- yes, Representative Ladd.

REP. LADD: Thank you very much. Having lived in some other states and been an administrator, school administrator in these other states, I've seen some states that we look at a costing model, but you might as well say that you have two or three states within the state. I'm talking about Alaska. Or you look at Maine you're looking at Portland, you're looking at Lewiston and Auburn, and then you're looking at the hinterland, you look at Aroostook County. The same thing with us here.

So I'm all -- I love the starting on high here with all these different models and -- but I'm not so fixed I have to

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come into necessarily one model is going to fit all because we have so many administrative districts in this state. Our structure is so unique and so antiquated that it's a cost model, it's a high cost model that we have right now.

So I applaud where we're going and we're going with an open mind. And -- but I would like to look at it as broad model first, all models, and find out what fits.

CHAIRMAN LUNEAU: And thank you, Representative Ladd. And, also, you know, you talk about this here, Jordan, but also Dan spoke about it last week, the hybrid models that where certain combinations may want to have different weighting factors or something like that. Is that something that the RFP could be, you know, extendable to?

DR. MALLORY: What I'm taking from this conversation is the need for some language in the RFP about methods, and there really isn't any right now. We need to move in that direction somewhat without creating too narrow a focus or forcing choices around particular methods, the criteria, and we've moved into discussion of the RFP.

CHAIRMAN LUNEAU: Yeah, so now we're moving to discussion.

DR. MALLORY: Which is important, and I'm conscious of the time and we'll be happy to defer a couple of our topics we had listed for today to next week because we'll be with you again next week. I do want to make sure you get a chance to hear from the Department.

But under the criteria for selection, it's -- whoever the vendors are have to have number two, demonstrate an understanding of New Hampshire's current environment, current context. We -- it is interesting to look at other states and how they've done this. No other states have the same revenue structure that New Hampshire has. Probably very few other states have the kind of ratio of the number of districts to population that we have, just as we're proud of the number of

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representatives we have to our population, the number of towns and municipalities, 234, the number of individual school buildings and school districts.

We -- we are ourselves, and so we will need to be convinced by those vendors who come back to us that they really do get it. They're not going to just come in and apply some off-the-shelf model or template and run the numbers and say here you go. They need to have a deep understanding of what's so interesting about our state. Whether it's the urban, rural, suburban distinctions, the significant changing demographics in the southern tier of the state, the small size of some of our districts, the cooperative school districts, et cetera. It's a very complicated system. Once we receive potential bids from vendors, we will want to set up an interview process with the Commission and those potential vendors. And I'll work with the Chairman to at least screen the initial responses and decide who you want to bring in for those interviews.

CHAIRMAN LUNEAU: Further questions? Yes, Ms. Dwyer.

MS. DWYER: Well, Representative Ladd's comments make me think about the research question frame about other changes in the dynamics of the system that we take into account or we don't take into account. So do we just assume that everything as we know it, government structure, super high administrative costs for the reasons that he mentioned, stay in place and the modeling is done on that basis or do we assume alternative scenarios where there might be some kinds of changes and the costing structure is sensitive to that? Because that's a real, you know, open question in my mind.

Obviously, we're not -- we're not -- this Commission isn't designed to change the structures, and I'm speaking from having experience in both Vermont and Maine with consolidation and which changed -- which, you know, changes immensely the cost structure. So how do we think about that? That's just an open question. I have no suggested answer.

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CHAIRMAN LUNEAU: Thank you, Ms. Dwyer. I think that's a great question. Representative Ladd.

REP. LADD: That's exactly where I was trying to go with Act 46 across the river in Vermont where they're saying that you must be in a K through 12 District, even though you may be a K-6 District. You're going to have to hook on with somebody to save these administrative costs. I'd love to be able to see data from there whether they're actually saving anything by hooking up, but that's exactly where I was thinking. Are we going to be looking at changing our organizational structure and, don't forget, we're bound by 193-E, what is an opportunity for an adequate education, and that's a challenge.

CHAIRMAN LUNEAU: I'm -- I'm -- I want to pick on that last point a little bit. I don't know if we're bound by 193-E because that's -- that's a -- that's a, what is it? Yeah, it's a statute, but it's a creation, it's a manifestation of a legislative process. You know, we're sort of more bound by court decisions. And I think we're going to be hearing, you know, more about those. And I don't -- you know, I don't want to --

REP. LADD: I concur.

CHAIRMAN LUNEAU: So thanks. Oh! Senator --

VAL ZANCHUK, President, Graphicast: She's first.

CHAIRMAN LUNEAU: Senator Estabrook.

SEN. ESTABROOK: Thank you, Mr. Chairman. I guess I'm a little confused about the scope of work in the draft policy paper we have versus what's been described to us in the presentation from the method of costing, which describes a vendor as usually going through three pages of their work. They define adequacy, they cost adequacy, and then they develop the formula to fund adequacy. The scope of work we've got here in our draft doesn't really mirror that. I'm not saying it should.

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I would be uncomfortable if it did. But I think we really haven't had much discussion about what the scope of work is.

CHAIRMAN LUNEAU: So thank you very much, Senator. I think we are sort of getting into -- into that now. And -- and there's going to be a much more fully fleshed out RFP format document that we are going to review next week. But I think what -- what Dr. Mallory needs to really hear from us today is -- is do we want to take this in a specific direction? Do we want to have this a little more general in terms of the methodologies or the hybrid methodologies? And, you know, what sort of things are we bound to? Because I think the -- I think the framework does talk about, you know, demonstrated understanding, as Dr. Mallory's point, of current public education policies and funding mechanisms, but also court decisions and that probably needs to be laid out here as well. Mr. Zanchuk.

MR. ZANCHUK: Yes, thank you, Mr. Chairman. I guess one of the things that crosses my mind is -- you know, where is the State's responsibility for providing this adequacy and where do the idiosyncrasies of a local district become accountable for their inefficiencies? If have you a rural district that doesn't want to close their schools because each local municipality wants to keep their local school and they have all this bound up to it that's their responsibility, at least in my mind. You know, the State should provide what we determine to be adequate. If a local district wants to be inefficient and waste their money by not consolidating for any number of cultural or emotional reasons, to me, that would be their responsibility. Otherwise, we get entrapped in trying to justify, you know, hundreds of different municipalities' emotional constraints on, you know, what they do and what they don't do.

CHAIRMAN LUNEAU: Right, right. No, that's a very good point. Thank you. Thank you very much. And I believe -- actually, some of the costing models that Jordan was talking about, that Dan talked about, contemplate that type of, you know, avoiding, you know, that, you know, or looking for efficiencies as opposed to the opposite.

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SEN. KAHN: Or local control.

CHAIRMAN LUNEAU: There you go. Further questions or thoughts? Representative Ladd, did you have --

REP. LADD: Well, I said we are local controlling to the point where Legislature keeps making that education statute book go that thick versus that thick. And we're telling them now this is part of your base adequacy, but we're not changing the costing formula a whole lot to match up with what we're legislating. And so I think we have a real challenge here to ensure that our cost and formula reflects the various types of organizations and structures we have out there and how the local community sees it.

CHAIRMAN LUNEAU: Thanks very much, Representative Ladd. Miss Tremblay, did you have a hand up?

MS. TREMBLAY: I was just going to say the same thing. Thank you.

CHAIRMAN LUNEAU: Use your -- use your --

MS. TREMBLAY: I was just going to say what Representative Ladd had said. He said it perfectly. Thank you very much. So I don't need to repeat.

CHAIRMAN LUNEAU: Great. Thanks very much. I had a question with regards to collaboration which I think is in the top part of the -- of the draft framework here. But how -- how will responders know that who might be out there to collaborate with, particularly ones that may be New Hampshire specific, you know, or specific collections of data and, you know, analytic, you know, capacity?

DR. MALLORY: Mr. Chairman, I think that the kinds of firms, organizations, that will be responding to this are a part of the National School Fiscal Analysis and Adequacy sort of network

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that's out there. Firms that have grown-up over the past few decades in response to litigation typically at the state level. And if you look at the states where these firms have been operative, it's the New Jerseys, and the Californias, and Texas and so on, where there's been litigation that has driven legislatures to take action. So I'm fairly confident that the community of experts in school funding and adequacy and the connection between those are aware of each other and connected to each other.

The reason that I included that kind of collaborative language at the top and, again, at the bottom of this discussion page is to make it clear that if -- in higher education we do this quite a bit. If we have a certain body of expertise in our firm, but we know that we don't, that we're missing other kinds of expertise, but our partner firm across the country has the kind of expertise that will complement what we can bring, I'll pick up the phone and call that partner firm and say, look, here's this opportunity in New Hampshire. We can bring X. I think you folks can bring Y. What if we go in together and propose that we do this collaboratively and that way they get what they want and we each to get involved bringing our respective strengths. That's the kind of opportunity or possibility that I'm trying to leave open with that language.

CHAIRMAN LUNEAU: Okay. Thanks very much. Ms. Dwyer.

MR. DWYER: Could we also suggest a bidder's conference call so that people --

DR. MALLORY: Yeah, on the front-end. Yes.

MS. DWYER: But your time frame's a little short for that. Unless you let your vendor list know right now that something's coming. You don't have to send the RFP out but at least alert the vendor list.

CHAIRMAN LUNEAU: Excellent suggestion. I think we should --

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DR. MALLORY: I agree.

CHAIRMAN LUNEAU: -- definitely look into that.  
Representative Myler.

REP. MYLER: Thank you, Mr. Chair. The issue is, is there not that many vendors out there? I mean, we're talking maybe 8, 10 vendors that do this kind of work. So it would seem to me that the -- that that should expedite the issue of calling through potential ones to receive the RFP. So, you know, we're not going to -- we're not going to put an ad in the *Wall Street Journal*. It's a very small community that does this kind of work. So I think that that will help us. Thank you.

DR. MALLORY: If I might?

CHAIRMAN LUNEAU: Yes.

DR. MALLORY: If I might to that point, Mr. Chairman. Yes, Dan Thatcher has already sent us a list of potential vendors. We'll be on the phone with and meeting with the Education Commission of the States' representatives this week and next week. And so we'll have good input on who the appropriate vendors are to target this RFP, and it won't be 100. It will be a select few that we know have some track record in this work.

CHAIRMAN LUNEAU: Terrific. Further questions about the RFP framework? We'll have a much more detailed presentation at our next meeting on this. And I guess at this point I think -- oh, Senator Kahn.

SEN. KAHN: And I think just in the sake of transparency, the Education Commission of the States, the National Council of State Legislatures, I mean, they are two of the groups that have provided assistance to states. In soliciting from them, because they frequently have those presenters on their national forums, it makes sense to ask them. And I guess I just want the Committee to feel some sense of both obligation to ask them, but also openness they accept that they, too, are potential

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respondents and we don't want to be prejudiced in -- for either having to ask them or engage them or against them in any manner because they may, in fact, bring forward their own proposals that we should be open to review.

CHAIRMAN LUNEAU: Yeah.

DR. MALLORY: I may stand to be corrected, but I believe Dan Thatcher did indicate to us that he and NCSL did not have any intention of submitting proposal; but we'll see where the chips fall, so they say.

Let me just close this out and then I'm going to accede my time and come back to Carsey work next week because you're stuck with us for a while now that you've made that positive decision. Thank you. A couple things that got said that I do want to put a pin in for the moment.

Miss Dwyer's comment about what are the assumptions that are going to guide this work I think is critical and on the way over here this afternoon, Jordan and I in the car said we need a work session with the Commission about assumptions. Is it status quo? Will everything stay the same out in the future? Will State appropriations -- will SWEPT continue to rise or be flat or fall at a certain rate? We don't know the answers to those questions, but we will need to make some assumptions to guide the analysis and then potentially the scenarios that come out of the analysis. So that -- I just want to reaffirm that.

Second, on the scope of work comment from Senator Estabrook about what's here on this draft piece. As you'll recognize, again, that's placeholder language taken from the statute that created the Commission. So I just plugged that in. We'll need a more sophisticated scope of work in terms of what we actually expect from these vendors.

And, finally, to Representative Ladd's point about the variation in -- in kinds of communities and districts across our state. We will want to make sure that our vendors and the work

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that we do addresses size and place; that is, urban, suburban, rural, and all that that means. And even in our state when we, you know, we have our seven or eight, what we call cities, some of which are barely villages and other, you know, demographic context. So attending to place and size is critical because, of course, that drives per pupil cost, and fixed costs versus variable costs to a large degree.

So thank you for your time and your questions and comments today. We'll come back and talk a little bit about the public engagement process when we are with you next week and present to you a more formal, again, draft RFP, you know, for your feedback and comments.

CHAIRMAN LUNEAU: Terrific. Thank you very much, Bruce. Thank you, Jordan. Thank you, Carrie. And so more to come next week. But come right now, and I think we, hopefully, have enough time, I think so, I'd like to -- like to invite Miss Caitlin Davis from the Department of Education to take us through the short subject of adequacy.

CAITLIN DAVIS, Department of Education: All right.

CHAIRMAN LUNEAU: Then we're going to -- then we're going to hear from Amy Clark about Building Aid. So two very important programs, obviously, for our study. Welcome, Caitlin.

MS. DAVIS: Hello. Does everybody have their handouts from last week? Always the trick. I did not print new ones, so. This is on, right? No? Committee, yes, this is on?

REP. MYLER: Pull it closer to you.

MS. DAVIS: Now it's on? Is it on? Okay. All right. Perfect. So last week we went through your packet in about five minutes. Typically, we do it in about two hours so it's a little tricky.

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What I want to focus on today is having you understand how the current adequate education funding formula works, as in the money that's distributed right now today, how that's getting out to School Districts. If you want to turn to page -- of course, it's a whole bunch -- ten in your packets from last week.

CHAIRMAN LUNEAU: Are you in this?

MS. DAVIS: Yes, the packet from last week.

REP. MYLER: Which page?

MS. DAVIS: It's landscaped. It says Calculating Education Grants right at the top of it. If you don't have it, I believe Jenn has gone but Jenn had a couple extra copies of it. So I guess if you don't have it, you're going to have to share. But this document that you have in front of you is prepared by the LBA. Every year they started preparing it a couple years ago to help all of the legislators that pop in their office understand the education funding formula. So this is really a nice, concise document. That's why I always use it now going forward. So what it does is explains the adequate education funding formula that is distributed to School Districts.

So the way it works for the Department of Education is the Department of Education collects a lot of information from the School Districts each year, and we use that for our various calculations. Specifically, in this we're looking at a lot of enrollment information, and information on kids that qualify for various different subgroups.

So in the adequate education funding formula one thing the formula is always paid one year behind on data -- on last year's data. So this school year we're in school year 19-20, the same as the Fiscal Year, we're actually paying on kids that were in school last year. Because we need the entire year to go through to find out who were in the schools and what subgroups they were in. So we collect all of that information in the summer, and then we do calculations to come up with funding formula.

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The first bit of information that we use in the formula is ADM. ADM is the Average Daily Membership. And the way the Average Daily Membership works is it's a count of all of the kids' movements throughout the entire year. So I want to point that out because this is an important concept. Oftentimes, when we're talking about education concepts, we're talking about something called enrollment. Enrollment is the number of kids at any point in time that are in a school. So today an enrollment might be 100 kids. There are 100 kids in the class, but the Average Daily Membership of that class for the year may only be, say, 92 or 92.5. Because there were kids that came and went throughout the year.

We do this calculation very precisely. It's down to the half day at the Department of Education. So a kid could be enrolled in Concord School District in the morning and Hopkinton School District in the afternoon, and we would have that information at the Department of Education.

One thing I want to point out for the Commission's sake is we do not have real-time data at the Department because I believe that will be something potentially would come up with the Commission. We only have one year old data.

So at the end of the year, the School Districts send all of the information to us, and I'm sure Dr. Ryan can say how wonderful that process is. He always gets it in on time. He's one of the --

DR. RYAN: Highly efficient.

MS. DAVIS: Yes. Great. And so then what we do is we look at all of the kids and we categorize them for the purpose of adequacy by the town that's fiscally responsible. Ninety-nine percent of time that's the town the kid lives in. There are a few scenarios where it might not be, sometimes if the kid is in foster care, but 99% of the time we look at where the kid lives

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and who is fiscally responsible for the kid, and we calculate the Average Daily Membership for that town.

So it used to work that when you look at the Average Daily Membership, a kindergarten kid counted as more than half; but this year and every year going forward, kindergartner kids count as the actual Average Daily Membership that they're attending. So if they are attending a half day kindergarten program in a town, say, like Epsom that has half day kindergarten, they count as .5. But if they're in Concord and they're attending a full day kindergarten program, they count as one for the purpose of this formula.

So the next thing that we do is we take the count of the kids. We multiply it by the base aid amount. So you see here in front of you that the base aid amount this year is 3,709.78. That's the amount that every single municipality in the State of New Hampshire gets from the State of New Hampshire for every kid that lives in their -- assuming the kid is there for one full year. It would be adjusted if the kid was there for 75% of the year. So that's base aid.

After base aid we have free-and-reduced lunch. Now this is something that's a little bit confusing. But the way this works is if the child is eligible for free-and-reduced lunch during the year at any time of the year, you would be eligible for this aid as well.

Now, this means that the kid's family has either filled out an application for free-and-reduced lunch and been determined qualified by the School District, or the family may be participating in another federal assistance program, like SNAP or TANF, and participating at HHS. The Department of Education actually gets that information and there's a Federal Law that allows any child from a family who's participating in these other programs to also be automatically eligible for free-and-reduced lunch funding. Or free-and-reduced lunch aid.

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Now a lot of people think that this money is somehow tied to the federal money specifically for providing free-or-reduced lunch and meals to kids or breakfasts but it is not. This money for free-and-reduced lunch and for all other intents and purposes is -- free-and-reduced lunch is the Department's measure of poverty. So oftentimes we get requests for median family income or additional poverty or financial information on kids and families. The only information that we have at the Department of Education is free-and-reduced lunch eligibility.

So, again, just like the base aid, we use the Average Daily Membership of the free-and-reduced lunch kids and multiply it by an amount. The amount is \$1,854 for a kid this year.

ELL, English Language Learner, it's similar to free-and-reduced lunch. Again, has no tie to the federal English Language Learner money that School Districts are receiving and is not necessarily directly tied to provide -- the cost of providing those services. It's additional money that is in the State Law that says a child that is an English Language Learner may cost more to educate or to provide an adequate education to, so we're going to give the School District more money for that -- that child.

Special-Education Differentiated Aid, the same thing, \$1,995 for every single kid that has an IEP. So every kid that has an IEP in a School District reports their IEP information with a variety of other information required for federal reporting to the Department of Education in the NHSEIS system. We use that to see, all right, yes, the kid was in the base count and then, yes, the kid has an IEP. We're going to give you additional funding for that kid.

The last thing is Third Grade Reading on here. You see TGR. Third Grade Reading is additional money for kids that test at Level 1 or 2 on the State Assessment. So consistent with State and Federal Law, we test in Grades 3 through 8 and 11 in math, science, English language, arts. On the third grade reading test, if a child tests Level 1 or Level 2, we consider them not

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proficient, and it's the one year behind so the kid will be in fourth grade when we would be paying the money. But we give an additional \$725 for each one of those kids.

I want to point out one thing about this pot of money that's a little strange compared to the others. Not a little strange but a little different. That the \$725 you are only eligible for if you don't receive any of the other funding factors. So if I'm in Concord School District and I'm special-education and free-and-reduced lunch, the School District would get \$3,708 from me. They would get \$1,854 because I'm free-and-reduced lunch, and \$1,995 if I'm special-education. If I'm also English Language Learner, they would not get the \$725 from me.

Alternatively, if I were just Third Grade Reading, they would get the Third Grade Reading money from me and the base amount. For the Third Grade Reading amount, it's one or the other. So what effective --

MR. BEARDMORE: Mr. Chair.

CHAIRMAN LUNEAU: Yes.

MR. BEARDMORE: Caitlin, are the per pupil amounts for the base, the F&R, the ELL, and the SPED still anchored to the costing determinations arrived at back in 2008, 2009?

MS. DAVIS: Yes.

MR. BEARDMORE: And, if so, how -- if -- how are they adjusted going forward? How have they been adjusted?

MS. DAVIS: So, I believe everybody in their information that they were supposed to read ahead of time for the Commission received the Cost of an Adequate Education Study from 2008. So in that --

CHAIRMAN LUNEAU: So that's this document here.

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MS. DAVIS: He's handing that out.

CHAIRMAN LUNEAU: In your notebook, toward the back of your notebook.

MS. DAVIS: Yes. It's a very important document to determine or to explain where we are today or how the formula at least today is. So in that, I believe it's like Page 56, 57. Is it somewhere around there? No?

CHAIRMAN LUNEAU: What? What is it?

MS. DAVIS: What page number it is on that packet?

CHAIRMAN LUNEAU: Oh, no. This is docketed pages; but on Page 26 it actually has the blended per pupil universal cost.

MS. DAVIS: Right. So that amount is where the base amount came up -- was determined. So -- and there were a few people on this Commission that worked on this that were not me, but they can tell you that various information was collected by the Department or by the Commission and that information was used to come up with a base amount of \$3,450 per student in 2008. So \$3,450 in 2008. I want to point that out because if you look at the piece of paper that I was just talking to in front of you, today here we are 12 years later, we are saying the base amount is \$3,709 per kid. So it has not increased very much in that 12-year span.

Now, the way, the mechanism for that increase, however, is the Consumer Price Index. So, in law, the Department of Education looks at the average of the Consumer Price Index of the last three years and applies that average to the base amount and all of the factors once a biennium. So it's adjusted once a biennium. So this amount that you have in front of you, \$3,709, is going to be the same for '20 and '21, but it will change again in '22. Last year it was 3,000 -- I can't even remember last year's amount at this point. It's out of my brain. Yes, \$3,636. So it's adjusted for -- and I just want to point out,

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too, because a lot of people say it's adjusted for inflation. There's a difference between inflation and Cost -- Consumer Price Index, and that's the Consumer Price Index is used for this purpose.

CHAIRMAN LUNEAU: Great, great. Thank you. Senator Estabrook.

SEN. ESTABROOK: Sort of a follow to that. Were you asking about whether the base grant have ever changed since adoption? There's also the issue of all the other differentiated costs have changed.

MS. DAVIS: Hm-hum.

SEN. ESTABROOK: If that could be explained.

MS. DAVIS: So it's the exact same process. And I actually used to have the base amounts memorized. Unfortunately, that's left my mind. There's more important things in there, I guess, now.

So the base amounts were determined by the Commission in that same process, and then are also adjusted by the Consumer Price Index. So, for example, the Consumer Price Index average of the last three years that was used for this biennium, so it's actually the last four years because of the timing, but was around 2%. It had been around 2% the year before that. It was around 1.8% or the biennium before that. So it usually is around there.

CHAIRMAN LUNEAU: Follow-up.

SEN. ESTABROOK: Thank you. Yes, that Inflation Cost Index is important; but, also, what I mean is in terms of the differentiated aid available to free-and-reduced grant eligible students, to special-education students, and to ELL learners. The way those are calculated have all changed.

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REP. LADD: Yeah. That was changed in -- when you were here 2008-9. We established --

CHAIRMAN LUNEAU: Use your mic.

REP. LADD: It is down. The red is down. And then in 2011 the formula was changed. When you put this thing together, it was from a certain percentage to a certain percentage you got this amount of money. From the next percentage up, to finally if you were 48% or higher you got, again, another base adequacy amount per student, 3,456 bucks. Now what we got is one flat fee for that based upon what we did back in 2011.

SEN. ESTABROOK: Yes. Thank you. I understood that. I wanted that to be clear for the record. That what you used to be a step system in terms of concentrations of students eligible for that differentiated aid has been changed to one flat number.

MS. DAVIS: Hm-hum.

SEN. ESTABROOK: So the concentration for schools is no longer relevant. And, similarly, for special-education students, there's now a flat 1995.21 differentiated cost assigned, whereas originally there was a number for students eligible for special education services, and another much higher number for students who were self-contained and receiving those services. There's also been a change in ELL and the new addition of third grade.

So I do think if we're going to understand the formula, and how it came into existence to what it's changed to what it is today, it's important to recognize those changes as well as the inflation index.

CHAIRMAN LUNEAU: Right. No, no, absolutely agreed. Thank you very much, Senator, for pointing that out. And that's one of the things I do want to make sure that we -- that we take up is at least a reference to -- to where these numbers come from now because, you know, at the end of the day that's one of the things that we're -- we're here to try to -- try to figure out

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going forward. So thank you very much, Senator, for pointing that out. Representative Ladd.

REP. LADD: It might be important to note that if you were looking at FY 21 budget where we got away from that waterfall effect, when we went from 1% group to another, there's this huge drop you might have received in funding in your school. What we did now if you look at fiscal disparity aid, where we took an account, this information made it a glide path. So there's no big waterfall effect. I think was a much improved formula this last year. We're not anywhere near where we need to be, but we did take into account, I think, some of the things you're trying to address.

CHAIRMAN LUNEAU: Great. Thanks very much. Any other questions right here? Miss Davis, if you can keep us going here. Thanks.

MS. DAVIS: Yes. So once we figured out all of that data, we multiply the amounts times the appropriate Average Daily Memberships and we come up with a calculated cost in adequate education. So I want to point out the calculated cost of an adequate education. So if the funding formula were to equal the check that you got, this would be the amount that you would get from each town. That's not actually the way it works. There's some additional adjustments made to come up with the adequate education grant which is the amount that's actually paid out.

So those adjustments are, the first, it's the SWEPT, the Statewide Education Property Tax. So the Statewide Education Property Tax is -- this is very important for the Commission to understand, and this is where there seems to be the most confusion, I would say probably across the state with average residents of the state, is that the Statewide Education Property Tax is a tax that is collected locally and retained locally, meaning it never comes back into the State coffers. I get probably 20 plus calls a year of angry residents saying that they are sick of being donor towns and they don't want to be a donor town anymore. They're demanding to know where their

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property taxes were going. So that is something that's really important.

So the Statewide Education Property Tax is \$363 million a year. That \$363 million is an amount that's in law. It's not adjusted each year. It's not adjusted for inflation. It's not adjusted for property valuation. It's \$363 million.

So the Department of Education gets from the Department of Revenue every single year the Statewide Education Property Tax Amounts that were raised by each town. And we use that essentially as a tax credit against the amount that we owe the towns and cities for the cost of an adequate education.

So the way it works is if a town were to raise \$100,000 for -- or the cost of an adequate education was \$100,000 and they raised \$30,000, we would actually pay them for \$70,000. It's a tax credit that they get that we essentially actually get the amount that we owe to towns for the cost of an adequate education.

In addition to the Statewide Education Property Tax, there's another add-on to the formula called the Stabilization Grant. So the Stabilization Grant was put into place in 2011-2012 when some of those changes that Senator Estabrook was talking about in the formula with the weighted categories. So the weighted categories were removed from the formula at that time and, in addition, there was another amount called the Fiscal Capacity Disparity Aid that was in the formula at the time which was an amount based on the equalized valuations per pupil of your town and it gave towns -- it broke towns into octiles. It gave the towns that were the lowest two octiles an additional pot of money. So that was removed in 2012 by the Legislature. And in that time when that was removed, they enacted the Stabilization Grant.

So the Stabilization Grant was a pretty simple calculation. All it did was say what would your town get under the old formula? What would your town get under the new formula?

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What's the difference? The difference now becomes your Stabilization Grant in perpetuity. There was no mechanism to adjust that amount. Then the next year it didn't say, all right, what was the difference between 2013 and 2011 and readjust it. It's whatever you got in that one, that base year, became the amount going forward.

Now, in 2015, the Legislature actually voted to reduce -- reduce the Stabilization Grant by 4% a year each year for the next 20 years or 25 years to eliminate the Stabilization Grant. However, that was repealed in this legislative session in this budget and the Stabilization Grant is back at 100%.

One thing that is confusing is, yes, the Department of Education is paying the Stabilization Grants at 100%; but the School Districts did have three years of Stabilization Grants reduction. So they never actually made up for those three years of additional funding. That is a question we get very frequently.

So back to here we have in front of us. So we have the cost of an adequate education, minus any SWEPT that the towns raised, plus the Stabilization Grant equals the State Education Grant. So that's the amount that we as a State of New Hampshire are actually paying out of our coffers to towns and cities for providing an adequate education. Logistic-wise, we actually make the payments to School Districts, not to municipalities, and it is paid four times a year. It's paid on September 1<sup>st</sup> every year of 20%, November 1<sup>st</sup> 20%, January 1<sup>st</sup> 30%, and April 1<sup>st</sup> 30%. So that's the current funding formula.

I do want to put out -- point out that, and we talked about this a little bit, but the formula itself is the amounts that were derived out of the original 2008 Study Commission and don't tie back to the cost per pupil that I handed out in the packet. That's in different pages in the packet. So there's not any sort of correlation that looks at that set of data then to derive this information.

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And one thing I actually do want to point out because I get this question frequently, too, from people, but this formula is actually a very, very simple formula compared to other states. So people ask that but it is relatively simple because of -- because of the lack of weightings which may provide additional money to School Districts, but we don't do that.

In '21 there were a few changes that were made to the formula and I don't want to go into them in depth because it was only one-time money. But in Fiscal Year 21 there is something it's called Fiscal Capacity Aid that's back and it looks again at equalized valuations per pupils in town -- in the town and it provides a weighted formula of up to \$1,700, 1750 per kid, and then there's also an additional free-and-reduced lunch pot of money in the formula. Again, only in '20. That provides a weighted amount of up to \$350 per kid if you have a free-and-reduced lunch rate of over 12%. One-time money. It's going away after '21, so.

CHAIRMAN LUNEAU: Yes, Mr. Beardmore.

MR. BEARDMORE: Thank you, Mr. Chairman. Caitlin, I would just like to take a respectful exception to your terminology regarding the Statewide Education Property Tax that it is a tax credit, and perhaps being a little squishy on whether those are local or State dollars. It's my strong opinion, I would call it a fact, that these are State dollars. It's a State Warrant that raises that \$363 million. I've signed that warrant five times, I think. So, you know, that is a State taxing mechanism.

I would hope that this Commission will spend some time discussing the mechanics and the rate of the Statewide Education Property Tax. I have some ideas in that area, but I think the -- I think the -- a better way to speak of it is a -- it is a source of funds to fill the bucket of the cost of adequacy in every town in the state. So it's really the first source of funds to your point. We cost out what the formula entitles the town to, net the Statewide Education Property Tax warrant against it, and then the grant, as you called it, is the State

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cash payment to the School District on behalf of the kids who are resident of the towns to pay for their adequate education.

But I think it's also important for this Commission to be aware that to the extent the Statewide Education Property Tax Warrant is in excess of the calculated cost of an adequate education, the town that raises those tax dollars keeps those tax dollars. So if you look at the spreadsheet that Caitlin handed out last time for Revised Fiscal 2020 Aid, the first one you get to is the town of Alton, a lakefront community. The calculated cost of adequacy there is 2.9 million. The State pays them 3.6 million and \$700,000 is over and above the calculated cost of adequacy. How many towns would you say?

MS. DAVIS: Twenty-five towns that have students. There's a lot more of the unincorporated places. It's about 3 million -- \$30 million statewide.

MR. BEARDMORE: So the State is effectively paying \$30 million of aid to property wealthy towns because they're property wealthy.

The other point I would make for this Commission is, Caitlin, you appropriately, I believe, referred to the aid provided in Fiscal 21 as one-time money. But I would just point out that once you provide one-time money, it is very difficult not to provide that money a second time, evidence for that being Stabilization Grants that in Fiscal 2020, I think back to aid provided in Fiscal 2012 and whatever those dollars are we're effectively providing aid not for children, but for property tax relief through an education funding formula.

CHAIRMAN LUNEAU: Thank you very much, Mr. Beardmore for that. Commissioner Beardmore. Certainly has his signature on a lot of these documents. And, you know, I think another way you can look at this is we have two-year budgets in the State of New Hampshire. Everything is done two years at a time. And I think a very good -- point well taken as far as -- as far as looking at this. And I think I know what Miss Davis is trying to do is,

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you know, 'cause it -- for many people across -- Granite Staters it can be a very confusing thing. What happens with my -- with the tax dollars that are collected through the Statewide Education Property Tax. Absolutely. It's a -- it's a state tax, but as you put, they are the first dollars used in the adequacy fund, building up the adequacy fund, and should those be short, not reach the adequacy amount, then the State kicks in the balance up to that adequacy total. So I think that's a very good point to make. Thanks very much, Mr. Beardmore. Yes, Representative Ames.

REP. AMES: I guess I want to express a moderately different interpretation of the SWEPT, the Statewide Education Property Tax.

CHAIRMAN LUNEAU: Well, so hang on one second though. I mean, we're -- I don't want to get too far ahead of things. We're going to have a very, very robust discussion at the -- at the right point in time on the SWEPT. We're not going to debate it, but I'll certainly let you continue.

REP. AMES: Okay. I'll just then say that hold the thought on whether this is state or a local.

CHAIRMAN LUNEAU: Okay. Great. Thanks. Representative Myler.

REP. MYLER: Thank you. Caitlin, we used to collect SWEPT and then the Legislature basically said no, keep it local. What's -- what year did that happen? Was it 2011?

MS. DAVIS: I don't know. That was before my time at the Department.

REP. LADD: I can tell you.

CHAIRMAN LUNEAU: Go ahead.

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REP. LADD: It was in that 11-12 era that it reversed. It was under the Bill O'Brien administration and the SWEPT was allowed to be kept. There's two issues to resolve and we can't discuss them today. SWEPT which is, you know, we had, and the other one hold harmless stabilization. Huge, huge.

CHAIRMAN LUNEAU: Thank you for recognizing those huge issues. We are going to get to those in time. Commissioner Beardmore.

MR. BEARDMORE: I just want to point out the State of New Hampshire since the advent of adequacy aid, I can't speak to before that, so I'm talking 1999, 2000 forward, the State has never directly collected the \$363 million tax warrant in total. Actually, used to be much more than 363 million in the early 2000's. Perhaps what Representative Myler is referring to is the excess Statewide Property Tax from towns, such as Alton, in the so-called donor town regime. That went away mid to late 2000s. I don't know exactly when.

CHAIRMAN LUNEAU: Thank you very much for that clarification. I think we're going to move beyond that and turn it back over. So, Caitlin, anything more to bring up this afternoon?

MS. DAVIS: So we can get into other revenue sources, talk about education revenue in general probably at another time. We can talk about some of the federal pots of money and how that works and how that flows into the entire thing, how the Education Trust Fund which pays this funding formula works in general; but you actually want to give some time to Amy Clark who is here to talk about Building Aid specifically.

CHAIRMAN LUNEAU: Great. Thank you very much, Caitlin. Thanks for really laying out how this does build up and how it's distributed to municipalities.

And I do refer everybody back to the -- the 2007-2008 reports that are in your notebooks coming from the Commission

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that Senator Estabrook was the co-chair -- chaired that Commission, and the work that they did that led to it and, obviously, changes subsequent to that. So welcome Amy Clark, Miss Clark --

AMY CLARK, Department of Education: Thank you.

CHAIRMAN LUNEAU: -- to the Commission and thanks for being with us.

MS. CLARK: So, again, Amy Clark for the Department of Education. Maybe I'm your closer, I'm not sure; but I have a handout that says School Building Aid Summary. You should have a copy. Does that sound good? Everybody is nodding. That's always good.

So I'd like to just go through, if I can get through the first two pages. The last chunk really can go really, really fast, but I thought I would take the time just to give a basic School Building Aid history 101.

You have my contact information there. The rule and the laws are cited there as well. Essentially, in a nutshell, School Building Aid is State Aid for the construction of school facilities. And that School Building Aid, again, that State portion is between -- ranges between 30 and 60% of the construction costs.

The -- I'd like to point out the formula is not linear. So the average rate is about 38%. So it's definitely weighted closer to the 30% end. And with more affluent communities being closer to 30 and less affluent communities near the 60% end, it's really important to understand how projects were funded prior to 2013.

So there's a quick example here. Essentially, if a School District took out a 20-year bond, and they -- their project cost \$20 million, their grant -- let's assume their grant award rate was 50%. So the State is going to cover half those costs, which

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is \$10 million. Local community's going to cover half and then the State will cover half through School Building Aid.

What that does is if they have a 20-year bond, they're going to pay that over the life of that bond. Bonds don't quite work as simply as this, but let's just say they do. And that means that they're going to pay \$1 million every year for 20 years for their project, plus interest. The State is going to cover half of that because their Building Aid rate is half. So the State is going to pay \$500,000 to that School District for 20 years until that bond is paid off.

Building Aid does not cover interest. It just covers the principal portion of their bond or any other ways that the school funds it through a district appropriation or anything like that. It doesn't cover gifts or donations or lawsuits, certain things like that. We'll get projects somebody had a bake sale. They raised \$300 and that comes off their Building Aid; but that's essentially how Building Aid -- the payments worked prior to 2013.

It's important to realize that, because when we talk a little bit about the history and want to talk about the moratorium in a second, just because the State stopped funding new projects doesn't mean there's not an obligation, right? Because we're still paying these projects that have these 20-year bonds. So you could stop Building Aid, but it would continue on. That continuance, those obligated payments are called the tail, and there's a graph on it on the next page.

But before we get there, a little bit of the history is that Building Aid has been around since the 1940s. And it was a reliable source for School Districts to, if they had a school project, they would let the Department of Education know that they had this construction project. The Department of Education would collect those applications. They'd submit that amount that they needed to the Legislature, and the Legislature would fund it. So, essentially, the State was meeting the demand of school construction from the mid-forties all the way up to about 2008.

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So the key point there is money was appropriated by the State to meet the demand.

You can see the construction costs continue to rise every year. So in 1940s the State was paying about a half million dollars for School Building Aid all the way up through 2007, sixty plus years later, for the biennium the State was paying about \$78 million.

In 2008-2009, it was kind of the first sign there was a shortfall. The State could not meet those obligated payments and so there was a shortfall. We paid projects about -- we were short one to two million dollars. We ended up prorating, like paying about 95% of those obligated payments. Because, remember, we have those bonds that we're paying. So schools were like where's my money? We said we don't have enough. So we prorated it. We gave them 95, 97%, somewhere around that, between those 2008 and 2009.

But that was really the first time there were really no -- there was no money for new projects. Then in 2010-2011, that biennium, officially House Bill 2 put a moratorium on School Building Aid, and that was -- basically said the Department of Education cannot issue any new projects, any new School Building Aid grants.

What is always interesting to me, as the moratorium doesn't need to really necessarily exist, because just the lack of appropriating the money didn't allow me to do it anyway. But, officially, it was stated in House Bill 2 that for two years, that two-year moratorium, no new Building Aid for new projects.

In 2012-2013, that biennium, that House Bill they just changed the dates and extended it for two years. Two years later, extended it, extended it, extended it.

You'll see there if you're following along in 2013, the things to note there was yes, the moratorium was extended for another two years; but, also, the Legislature said we are going

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to now cap Building Aid. We are going to put it in law. We are going to cap Building Aid at no more than \$50 million per year, \$100 million per biennium, which was about where we were at. If you were looking at meeting demand, we were approaching that hundred million dollars per biennium anyway. So if they had appropriated money at that time, we wouldn't have had enough to pay any new projects anyway; but that was set in law.

I'm going to go over some of the other changes in 2013 in a minute, but just know that in 2013 there were these new rules that capped Building Aid.

Then the Moratorium, I think, was maybe expected by School Districts to be lifted because now we have all of these new rules were written in 2013; but the Moratorium wasn't lifted. It was extended for another two years and that happened all the way until the biennium of 2018-2019.

The moratorium, I would say, was -- it was officially lifted in law for one year, 2018. The moratorium basically just existed for the second year of that biennium, which was 2019. And I think it's fair to say that the reason why it was lifted is they knew Hinsdale Elementary School was really having some serious construction issues, and they were looking for a way to fund Hinsdale Elementary. And my take on it is instead of a line item for \$3 million to fund Hinsdale Elementary, they were the only ones that actually went through this building aid process. So they opened it up and said, you know, we'll lift the moratorium so we can fund Hinsdale, and then they closed it back up.

So that's really just a side note. For all intents and purposes, there was really a moratorium then as well. And then come up to this current biennium that we're in, the very first time for this biennium we're in right now the moratorium is no longer there.

So this past budget cycle the moratorium was lifted. And the appropriation amount that was granted for new projects

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was -- is \$8.6 million, and that allowed to fund three projects under a new funding mechanism.

So what that means is if you recall in 2013 the law was changed where we would pay on the term of the bond. Well, in 2013 it -- the law changed to say we're no longer going to have these tail payments. Instead, we're going to pay 80% of the award upfront, and 20% of the award upon completion. So the award rates didn't change, but what they did is instead of paying a little bit over a 20-year period, they're going to give the local community or the Districts 80% of their award upfront, 20% when they've completed the project.

What this does is it's great for Districts because they don't have to bond as much. But what it also does is it doesn't allow the State to fund that many projects. You give me \$8.6 million and there's three projects I can fund because I've got to give big chunks of money up. The downside of that is that I only have three projects that I can fund.

So that's one -- that's one of the changes other than the cap. Some other changes are on the back side of here. When you cap something, we're not meeting demand. We're not meeting what the school's demand is. Now we have to have a competitive structure. Who do we fund now this structure has been put into place?

Some of the criteria we fund, projects get ranked and we fund based on overcrowding, life safety issues, ADA, free-and-reduced lunch gives you extra points criteria. So those projects get ranked. That list gets published. Then we pick off the list from the top until we run out of money, and the benefit is that there's also no tail payments.

So on the second page is this chart that's in blue, bar chart. So this is the tail. These are our obligated payments. And this is from, just to walk you through this graph, this takes us from Fiscal Year 20 and '21 are on there so that's our budget right now. All the way through 2041. 2041 is our last

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bond payment. That happens to be a 30-year loan a District took out and their project was approved back in when we were approving projects; but there was a delay so their bond payment is extended to 2041. But by the time we get to 2041, we'll have paid off all of those pre-2013 projects.

So that's that dark blue bar right there. The bar that sits on top of it, the light bar, is actually in 2010 the State did not have enough money to pay those obligated payments so the State took out a bond for -- to be able to pay the Districts the principal portion of their bond.

That is now prohibited in law. The State is no longer allowed to take out a bond to pay a bond. But that is our bond payment and that was -- that is going to be paid off in 2030.

The little dashed boxes on the top of 2021, that is what the State -- that's what this extra piece that the Department of Education has received to fund new projects. So this is the first time we've had money for new projects in a while. And the most they can give is \$50 million. So you can see we got a full appropriation of \$50 million this first year of the biennium. That left \$6.7 million for new projects. And the second year of the biennium wasn't a full appropriation, but it was 1.9 million and that allowed us to fund a portion of a third project.

The table, if you want to just look at the table, the first column obviously is Fiscal Year. The second column is those obligated funds that that dark bar at the bottom. Those are our basically 2013 and prior projects that we owe. You get smaller every year because every year we pay off more and more bonds and projects are closed.

That third column is Building Aid bond payment. That's 2010 bond amount that the State took. So we have the State pays on that bond. And that fourth column, Total Debt Service, is just those added together.

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The second to last column is \$50 million less than the Debt Service. And the reason why I include that is that is the amount if the law says the most we can get is \$50 million, so that amount is the most, that's not how much is appropriated but that's the maximum amount that the State could appropriate according to the law. And I just grouped those in the last column is the max for the biennium, because when we issue new projects, we really look at a biennium. It's a biennium process. So if fully funded, which it wasn't, but if fully funded I would have had, at most, \$19 million for this current biennium. Next biennium, if fully funded at most by law, I would be able to have \$32 million for new projects. So that's how that graph works.

And really, lastly, is -- the last few pages are just a little bit of information for you. This Page 5 of 12 is -- are the projects that were ranked. These are the five projects that applied for Building Aid. I don't want this to be misleading. Five projects applied for Building Aid. That doesn't mean that only five projects are looking to construct. We have been in a moratorium for ten years. It takes a lot of work, a lot of planning dollars, a lot of architectural fees, a lot of money upfront for Districts to apply for Building Aid. In order to apply for Building Aid, you have to apply a year in advance. The State needs to be able to approve your plans. We need to be able to rank them. So there's a big process.

My guess is that Districts are not applying for Building Aid this round because nobody got funding. Hinsdale did. They hit the -- the word hit the streets and so these five are like, well, let's go put them in. Woodsville High School. If you're familiar with the school, definitely was time for them to do some renovation work. Russell Elementary. So Woodsville High School is under construction now. They're wrapping up pretty soon. And Russell Elementary School will be starting construction pretty soon. Maple Wood Elementary School has actually done -- that's in Somersworth -- that's done Phase I. Phase II they're starting shortly. Those are the three projects

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that were funded. You can see their Building Aid rates are 60%, 45, and 60% for those respectively.

The last two projects on that list are both Lebanon projects and they were not funded. They also didn't pass their Warrant Articles, but they'll be up again this March. But even if they do pass, there's not enough funding for them. But had they -- if they do pass this March and had I had money, those would be the next two recipients.

For your reading pleasure on the back there's a little summary of those projects, if you wanted to know more about the projects. So now I'm on Page 7, Page 7 of 12. These are the list of construction projects that intend to apply for School Building Aid for the next biennium. In order to apply for -- in order to apply for Building Aid, you have to apply a year in advance. Shockingly, we are about a year in advance already for the next biennium.

There's two deadlines schools have. One is 18 months before the biennium which puts it at January 1<sup>st</sup> of 2020. They have to submit a letter to me saying we intend to apply for Building Aid. They really don't have to do much other than just let me know, give me a heads up that they're going to apply, helps me with planning. And this is a list of the 50 projects that have applied for Building Aid or intend to apply for Building Aid. They need to submit their application by July 1<sup>st</sup>.

It's a two-pager at the bottom. So now I flipped that over. It's stapled. But that's -- what is that page? Page 8 of 12. On the bottom of that you can see the totals. That is over \$600 million worth of projects that are seeking Building Aid. If all were awarded that Building Aid would be \$231 million looking to construct for next biennium.

If you go back to the graph, the bar graph, and you look at the biennium 22-23, on that last column you'll see if Building Aid is fully funded to the maximum extent of the law, it would be \$100 million. I'd pay off all of the debt that we owe,

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those -- that tail from those obligated payments. I pay that State Bond that we owe. I would be left with \$32 million. That \$32 million, if fully funded, would go to the top ranking of this \$231 million aid list. So, obviously, the vast majority of these projects will not be funded if the law stays the same way.

The -- Page 9 is what the Building Aid rates, if you were curious, what a district that you are interested in, those are the Building Aid rates for all the school districts. And Page 11 are the current payments, those obligated payments. That's a list of the obligated payments. So you can still see that it goes to -- I think that's about 100 and -- 150 or so Districts that were still paying. And that is the end of Building Aid 101.

CHAIRMAN LUNEAU: Terrific. Thank you very much, Amy, for Building Aid 101. Questions? Senator Estabrook.

SEN. ESTABROOK: I have a question you might get back to us on if you have the data. Do you keep track of school bond issues that pass and fail?

MS. CLARK: We have no mechanism to do that officially. However, a lot of times before the Legislature -- before I know that I'm going to go in front of the Legislature I might shoot out an e-mail and say, in April, or even in March, I sometimes ask schools to get back to me. There's no official --

SEN. ESTABROOK: I just wanted to know if we could get a picture of how the absence of Building Aid for the last ten years has impacted the passage or failure of bond issues on the local level.

CHAIRMAN LUNEAU: Yeah, yeah. Thanks. That's very good. Representative Ladd.

REP. LADD: Yeah. We had approximately the same amount of money we were spending back in '12, 2012, thereabouts, before the moratorium started, 200 plus million dollars a year. The issue I think we have as a funding commission here is due to the

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fact that the Claremont decisions didn't attack the Building Aid was the fact we were funding Building Aid. But now we have gone through this moratorium, I often call this Building Aid the fourth leg of the stool. Instruction, curriculum, accountability, and facilities. You've got to have a roof, you have to have a floor, you have to have a place to teach in. And if we're not funding that's -- that could be the next suit that comes at the state. And that's something I think through our deliberations here we need to be thinking how does Building Aid fit into this picture of funding?

CHAIRMAN LUNEAU: Thanks. Thanks, Rick. Yes, Mr. Zanchuk.

MR. ZANCHUK: Mr. Chairman, this does not include all of the capital for Career and Tech Ed Centers; correct?

MS. CLARK: That is correct. A very good point.

MR. ZANCHUK: That's separate.

MS. CLARK: That is not in my program, correct. I'd also like before I forget, too, a couple of myths about Building Aid. So the law does cap square footage and it caps cost per square foot. So the local community can build something larger and there's a lot of things that are not eligible. So we're not going to build tennis courts or swimming pools or things like that. So just keep that in mind.

There are a couple of projects on this list that will be way over the cost per square foot. And I think, for example, Concord's project comes out, I think, it's \$89 million school; but I think that -- or \$87 million school. I think that they're talking about grouping the YMCA in that project, too. So those would be costs that would not be eligible for Building Aid. I just don't have the details of the application yet to say what's eligible and what's not. But I do want to mention that just because you apply for Building Aid doesn't mean that it's eligible for Building Aid.

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CHAIRMAN LUNEAU: Further questions for Miss Clark? Yes, Commissioner.

MR. BEARDMORE: Thank you. Mechanically speaking, how does a \$6.7 million appropriation in Fiscal 20 allow you to bring on reimbursement for, you know, several projects that are going to total to \$6.7 million worth of payments, and then only have 1.9 million to go to pay for those same obligations next year? How does that work? Assuming a town has level Debt Service payments, do you prorate just them or everybody else the next year?

MS. CLARK: We pay -- let me -- maybe this will answer your question.

MR. BEARDMORE: Or am I not seeing something?

MS. CLARK: So if you flip to the chart with the schools listed.

MR. BEARDMORE: Yep.

MS. CLARK: The three schools that are funded, that last column we're going to give \$1.6 million to Haverhill, 2.7 to Rumney, 2.5 to Somersworth.

MR. BEARDMORE: Yes.

MS. CLARK: Those total about that 8.6 million. So we are able to fully fund those projects. And what we do is we take and we give 80% of Haverhill, 80% of that 1.6 million that we're going to give to Woodsville High School or Haverhill School District, and we're going to encumber their 20% until they're completed. And so once they've completed their project, they come and that -- that money is encumbered for them and then we'll pay that. We have to be able to have all of that money before we can --

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MR. BEARDMORE: So the State's going to sit on that \$1.6 million for 20 years and -- and parse it out as time goes by?

MS. CLARK: No, when they're done construction. So their construction project will last one -- Woodsville High School is probably getting ready to be finished --

REP. LADD: Ribbon cutting is on Wednesday.

MS. CLARK: When they -- when they enter their contract with their -- they have to do a lot of things. But once they're finally ready to break ground, they can submit all that documentation. We cut them a check for - sort of, not really, but you know what I mean - 80% of that 1.6 million. They will apply that. I mean, we don't really have control over what the schools do. But my assumption at least with some of them that I know are not taking out as big a larger bond. They're reducing the amount that they have to bond with that.

MR. BEARDMORE: So the program's behaving differently now than it used to --

MS. CLARK: Correct.

MR. BEARDMORE: -- where we had --

MS. CLARK: No more tail.

MR. BEARDMORE: So going forward there's none of that.

MS. CLARK: Correct.

MR. BEARDMORE: It's just an upfront reimbursement.

MS. CLARK: Correct.

MR. BEARDMORE: That's the key point I missed.

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MS. CLARK: Right. Sorry, yes. 2041 that tail will be done. And, essentially, the way it works we get money for new projects. I might only be able to fund three instead of 40; but I'll be able to pay for those projects and help them reduce the amount that they have to borrow.

MR. BEARDMORE: Thank you.

CHAIRMAN LUNEAU: I think Representative Ladd has a comment.

REP. LADD: Yeah. We have three schools right now we're working with, Woodsville High School, Russell Elementary in Rumney and Maple Wood in Somersworth. Those are all renovation projects. We don't have any from the ground up going in new construction. I don't think we have -- for the last umpteen years we have tried to submit legislation eliminating this cap of \$50 million. Now it says no more than 50. We have had no less than 50. We've had all kinds, but it just doesn't make it. So the issue right now is we may be renovating, but we're not really building. And so that's why this is such a critical issue for this Commission right here.

CHAIRMAN LUNEAU: Yes, Ms. Dwyer.

MS. DWYER: How often do you adjust your rule about cost per square foot?

MS. CLARK: It's never been adjusted. Oh, no, I'm sorry. The square foot per student hasn't been adjusted but our cost is adjusted every -- if something is under construction every quarter.

MS. DWYER: Okay.

MS. CLARK: And their -- the rule caps them at the time that they apply. And I use some cost standards that are published by the industry for specific for New Hampshire.

MS. DWYER: Okay. Great.

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CHAIRMAN LUNEAU: Representative Ames.

REP. AMES: Yeah. I guess I have two questions. One is, is there a quick answer to why we went from 20 -- 20-year bonding arrangement to upfront, the 80/20 formula? Why did we do that?

MS. CLARK: I'm not familiar. I wasn't around then so I'm not sure why. The only thing that I have heard is that the goal was to help Districts not -- or municipalities not to have to bond as much. But there's a plus and minus, right, and then to that structure.

REP. AMES: Okay.

CHAIRMAN LUNEAU: Representative Ladd.

REP. MYLER: He has a follow-up.

CHAIRMAN LUNEAU: Oh, I'm sorry. Representative Ames.

REP. AMES: Just to be clear on another point about eligibility or your ability to screen out. I take it you really have no ability to screen out a project that a local community wants to go forward with that may be viewed more broadly, makes no sense from in terms of efficiency, or distribution of students.

MS. CLARK: Correct. Building Aid would not -- I don't weigh in on any approvals that don't get Building Aid.

REP. AMES: Just wanted to be clear on that. Thank you.

CHAIRMAN LUNEAU: Representative Ladd.

REP. LADD: We have had a project recently that came in. It wasn't building in accordance with the rules set up by the Department, and they've been made to comply. But this program right here it was initiated. We stole much of it from Maine.

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Duke Albanese, the Commissioner over there was my athletic director when I was back there as an administrator, and we borrowed him for a while. We wrote this. It seems to be working. We worked with the School Building Authority on this. However, the dollars which are needed for this, you know, have not been there in the Legislature and that is the critical component. Without that, we really don't have a building program.

CHAIRMAN LUNEAU: Further questions for Miss Clark? Thank you very much for being with us this afternoon.

MS. CLARK: You're welcome. Thank you.

CHAIRMAN LUNEAU: So let's see. Next up I would like to open the floor to members of our communities, stakeholders, Granite Staters to let us know what's on their minds. And if anybody would like to take the hot seat, I welcome them to that.

(No response.)

CHAIRMAN LUNEAU: Then we'll keep moving on. So real quickly. We are towards the end of our agenda for this afternoon. Our next meeting is on February 10<sup>th</sup>, next Monday, two o'clock right here. And -- and I want to -- I want to thank profusely Ceil for being with us and taking the transcription and doing this. I know that's a big chunk of time out of the day for you, and I just want to thank you for that.

And I also want to thank Dr. Cascadden and Senator Morgan for joining us on the line today. I think there may have been a little bit of -- of a hiccup with the mute function or something like that. So we'll make sure we'll get that straightened out for next time.

Anybody else have anything they'd like to add for the good of the cause? Then we're done. So we'll see you next week. Thanks very much.

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(The meeting concluded at 4:21 p.m.)

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## CERTIFICATION

I, Cecelia A. Trask, a Licensed Court Reporter-Shorthand, do hereby certify that the foregoing transcript is a true and accurate transcript from my shorthand notes taken on said date to the best of my ability, skill, knowledge and judgment.

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