Commission on School Funding
February 10, 2020

Applying NH Constitutional Principles
to Current Property Tax Rates
and Adequacy Grants

Presenter: John Tobin (jtobinjr@comcast.net)
NH School Funding Fairness Project
(www.fairfundingnh.org)
The Two Provisions of NH Constitution At the Core of the NH Supreme Court Decisions in the Claremont Cases

• The State has a duty to pay for the cost of a constitutionally adequate education for every K-12 public school student.
  NH Constitution, Part 2, Article 83

• The taxes that the State uses to pay for this education must have a uniform rate across the state.
  NH Constitution, Part 2, Article 5
Supporting Public Schools is a State Duty

“That the State, through a complex statutory framework, has shifted most of the responsibility for supporting public schools to local school districts does not diminish the State purpose of the school tax.”

Claremont v. Governor (1997)
(Claremont II)
School Tax Rates That Vary Greatly from Town to Town Are Unconstitutional

“There is nothing fair or just about taxing a home or other real estate in one town at four times the rate that similar property is taxed in another town to fulfill the same purpose of meeting the State’s educational duty.”

“Compelling taxpayers from property-poor districts to pay higher rate and thereby contribute disproportionate sums to fund education is unreasonable.”

Claremont v. Governor (1997) (Claremont II)
The Constitutional Standard for Using Property Taxes for School Funding

“To the extent that the property tax is used in the future to fund the provision of an adequate education, the tax must be administered in a manner that is equal in valuation and uniform in rate throughout the State.”

Claremont v. Governor (1997) (Claremont II)
Local Property Tax, 62.1%
Statewide Property Tax (SWEPT), 11.2%
State Cash Adequacy Aid, 17.0%
Other State Aid, 2.9%
Federal Aid, 5.1%
Tuition, Food & Other, 1.6%

2018/19 Revenue of NH School Districts: 3.29 Billion
Not including sale of bonds and notes
Percent of School Revenue from the State 2017/18
2008 to 2018: Change in School District Revenue

Local Taxation: $34,362,668
State "Adequacy" Aid: $32,679,121
Federal Sources: $354,681
Tuition, Food, & Other Local Revenue: $20,225,961
Other State Sources: 

Total Change: $570,434,605
Property Taxes and Other Largest NH Taxes in 2018
($ in millions)

- **Local School**: $1,935
- **Municipal**: $1,102
- **County**: $288
- **State School**: $363

Other taxes:
- **Property taxes**: $2,985
- **Business taxes**: $482
- **Meals and rooms**: $332
- **Tobacco**: $212
- **Real estate transfer**: $149
- **Insurance**: $115
The key concept for comparing school tax rates:

Equalized value per pupil

*How much property value is available in a town to be taxed to support each student’s education?*
<table>
<thead>
<tr>
<th>Property Value</th>
<th>Tax Rate (per thousand)</th>
<th>Revenue Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000,000</td>
<td>$10.00</td>
<td>$10,000</td>
</tr>
<tr>
<td>$400,000</td>
<td>$10.00</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

It's Simple Math
## It's Simple Math

<table>
<thead>
<tr>
<th>Property Value</th>
<th>Tax Rate (per thousand)</th>
<th>Revenue Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000,000</td>
<td>$10.00</td>
<td>$10,000</td>
</tr>
<tr>
<td>$400,000</td>
<td>$25.00</td>
<td>$10,000</td>
</tr>
</tbody>
</table>
## 2018/19 Equalized Valuation and Tax Rates for Schools

<table>
<thead>
<tr>
<th>Town</th>
<th>Pupils</th>
<th>Equalized Value</th>
<th>Equalized Value per Pupil</th>
<th>Equalized School Tax Rate</th>
<th>Amount Raised per Pupil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moultonborough</td>
<td>469</td>
<td>$3,293,899,857</td>
<td>$7,019,499</td>
<td>$3.79</td>
<td>$26,604</td>
</tr>
<tr>
<td>Sunapee</td>
<td>372</td>
<td>$1,413,083,541</td>
<td>$3,800,348</td>
<td>$7.94</td>
<td>$30,175</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>2,265</td>
<td>$6,139,020,401</td>
<td>$2,710,480</td>
<td>$6.48</td>
<td>$17,564</td>
</tr>
<tr>
<td>Salem</td>
<td>3,522</td>
<td>$5,311,047,505</td>
<td>$1,508,126</td>
<td>$11.65</td>
<td>$17,570</td>
</tr>
<tr>
<td>New Hampton</td>
<td>4,011</td>
<td>$4,505,177,871</td>
<td>$1,123,136</td>
<td>$13.69</td>
<td>$15,376</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>174,101</td>
<td>$194,655,995,337</td>
<td>$1,118,065</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merrimack</td>
<td>3,784</td>
<td>$3,868,073,978</td>
<td>$1,022,094</td>
<td>$15.71</td>
<td>$16,057</td>
</tr>
<tr>
<td>Concord</td>
<td>4,375</td>
<td>$4,025,460,343</td>
<td>$920,034</td>
<td>$14.64</td>
<td>$13,469</td>
</tr>
<tr>
<td>Milford</td>
<td>2,230</td>
<td>$1,648,363,439</td>
<td>$739,014</td>
<td>$18.13</td>
<td>$13,398</td>
</tr>
<tr>
<td>Newport</td>
<td>819</td>
<td>$454,765,652</td>
<td>$555,039</td>
<td>$14.98</td>
<td>$8,314</td>
</tr>
<tr>
<td>Claremport</td>
<td>1,706</td>
<td>$720,819,194</td>
<td>$422,632</td>
<td>$24.08</td>
<td>$10,177</td>
</tr>
<tr>
<td>Berlin</td>
<td>1,070</td>
<td>$405,305,374</td>
<td>$378,712</td>
<td>$17.42</td>
<td>$6,597</td>
</tr>
</tbody>
</table>
Equalized Property Value per Pupil 2018/19

Red line is state average
$1,118,065
## 2018/19 Tax Differences in Towns with Similar Numbers of Students

<table>
<thead>
<tr>
<th>Town</th>
<th>Pupils</th>
<th>Equalized Value per Pupil</th>
<th>Equalized School Tax Rate</th>
<th>Tax on $200K Home</th>
<th>Tax on $10M Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milford</td>
<td>2,230</td>
<td>$739,014</td>
<td>$18.13</td>
<td>$3,626</td>
<td>$181,300</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>2,265</td>
<td>$2,710,480</td>
<td>$6.48</td>
<td>$1,296</td>
<td>$64,800</td>
</tr>
<tr>
<td>Pittsfield</td>
<td>581</td>
<td>$493,961</td>
<td>$19.24</td>
<td>$3,848</td>
<td>$192,400</td>
</tr>
<tr>
<td>Rye</td>
<td>543</td>
<td>$4,738,085</td>
<td>$5.07</td>
<td>$1,014</td>
<td>$50,700</td>
</tr>
</tbody>
</table>
## School Tax Rate Variations Within Timberlane Regional School District
(Based on 2017-2018 Equalized Tax Rates)

<table>
<thead>
<tr>
<th>Town</th>
<th>Eq. Value Per Pupil</th>
<th>Eq. Education Tax Rate</th>
<th>Tax on $200,000 Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atkinson</td>
<td>$1,350,548</td>
<td>$13.70</td>
<td>$2,740</td>
</tr>
<tr>
<td>Danville</td>
<td>$696,084</td>
<td>$20.46</td>
<td>$4,092</td>
</tr>
<tr>
<td>Plaistow</td>
<td>$1,101,747</td>
<td>$15.01</td>
<td>$3,002</td>
</tr>
<tr>
<td>Sandown</td>
<td>$692,687</td>
<td>$18.76</td>
<td>$3,752</td>
</tr>
</tbody>
</table>
Equalized Property Value - Change 2007 - 2017

<table>
<thead>
<tr>
<th>Location</th>
<th>Change 2007 - 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portsmouth</td>
<td>40%</td>
</tr>
<tr>
<td>Hanover</td>
<td>30%</td>
</tr>
<tr>
<td>Windham</td>
<td>20%</td>
</tr>
<tr>
<td>Exeter</td>
<td>10%</td>
</tr>
<tr>
<td>State</td>
<td>0%</td>
</tr>
<tr>
<td>Franklin</td>
<td>-10%</td>
</tr>
<tr>
<td>Pittsfield</td>
<td>-20%</td>
</tr>
<tr>
<td>Berlin</td>
<td>-30%</td>
</tr>
<tr>
<td>Claremont</td>
<td>-30%</td>
</tr>
</tbody>
</table>
77% of Children Attend School in Communities with Below Average Equalized Property Values

2018 Equalized Property Value per Pupil (ADM/R) for 237 Towns

77% of students attend school in 133 towns with below average tax base.

23% of students attend school in 104 towns with above average tax base.

One dot for each of 227 towns, sorted from low to high
(10 towns above $6 million are off the top of the chart)
Barrier to Economic Development (Discourages new businesses and business expansion in property-poor towns)

Works Against Attracting/Keeping Young Families; Discourages Workforce Housing

Discourages Regional Cooperation and Efficiency/Economies of Scale

Disparities Worsened by Uneven Burdens of Untaxable State/Federal Land and Current Use
Parameters for State Funding for an Adequate Education

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

Claremont v. Governor (1997)
(Clarremont II)
The Connection Between Defining and Funding an Adequate Education

“Any definition of constitutional adequacy crafted by the political branches must be sufficiently clear to permit common understanding and allow for an objective determination of costs. Whatever the State identifies as comprising constitutional adequacy it must pay for. None of that financial obligation can be shifted to local school districts, regardless of their relative wealth or need.”

## State Adequacy Definition 2020

(2018-2019 State Average Cost Per Pupil: $16,346)

<table>
<thead>
<tr>
<th>Aid per pupil</th>
<th>Each pupil</th>
<th>Low income</th>
<th>Special education</th>
<th>English learners</th>
<th>below proficient</th>
<th>Cost of &quot;adequate&quot; education</th>
<th>Cost per pupil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brentwood</td>
<td>789</td>
<td>45</td>
<td>120</td>
<td>4</td>
<td>6</td>
<td>$3,256,126</td>
<td>$4,126</td>
</tr>
<tr>
<td>East Kingston</td>
<td>366</td>
<td>27</td>
<td>50</td>
<td>1</td>
<td>8</td>
<td>$1,513,739</td>
<td>$4,134</td>
</tr>
<tr>
<td>Exeter</td>
<td>2060</td>
<td>323</td>
<td>301</td>
<td>20</td>
<td>23</td>
<td>$8,870,458</td>
<td>$4,306</td>
</tr>
<tr>
<td>Kensington</td>
<td>613</td>
<td>85</td>
<td>102</td>
<td>1</td>
<td>19</td>
<td>$2,649,748</td>
<td>$4,324</td>
</tr>
<tr>
<td>Newfields</td>
<td>737</td>
<td>117</td>
<td>146</td>
<td>7</td>
<td>2</td>
<td>$3,247,236</td>
<td>$4,407</td>
</tr>
<tr>
<td>Stratham</td>
<td>1242</td>
<td>52</td>
<td>164</td>
<td>10</td>
<td>10</td>
<td>$5,043,685</td>
<td>$4,061</td>
</tr>
</tbody>
</table>
What does an “Adequate” K-12 Education Cost?

Let’s take an example:

The State of New Hampshire says that for Pittsfield’s 581 students an adequate education should cost $2,690,333 ($4,630/student)

The Pittsfield School District budget for 2018-19 was $10,302,402 ($17,732/student)

So let’s pare that budget down…..
Eliminate 5 of the 16 teachers at the elementary school
Eliminate all art, music, and physical education classes in all grades
Eliminate all school nurses and any medical support
Eliminate all regular and special education transportation services (parents to transport their children to and from school)
Eliminate one of the two office secretaries at the elementary school
Eliminate one of the two office secretaries at the middle/high school
Eliminate teachers for business ed, family & consumer science, and health
Eliminate one of four science teachers at the middle/high school, thus eliminating some labs and electives
Eliminate all building and grounds maintenance and repairs
Eliminate student participation in Concord Regional Technical Center classes
Eliminate all foreign language courses
Eliminate both counselor/behavioral professionals and support staff
Eliminate four of eight custodians: building cleaning only twice per week
Eliminate health insurance and other benefits in current teacher contract
Eliminate all field trips
Eliminate all athletic programs: soccer, basketball, softball, and baseball
Eliminate the district reading specialist
Eliminate 34½ paraprofessional positions, including special ed teacher aides
Eliminate purchase of equipment, supplies, books, subscriptions, technology
Eliminate ESOL program (English for speakers of other languages)
Eliminate all substitute teachers, thus requiring students to be dismissed
Eliminate three special education teachers
Eliminate provisions for teacher development courses, workshops
Eliminate mentor teachers who support new teachers
Eliminate all technology personnel, equipment, training, software, etc.
Eliminate consulting specialists such as vision specialists and psychologists
Eliminate travel reimbursement for training events, meetings, home visits, etc.
Eliminate all co-curricular programs (clubs, activities, student council, etc.)
Eliminate the summer recreation program
Eliminate all guidance personnel
Eliminate substance abuse counselor
Eliminate speech/language, PT, OT, and vision services for special needs students
Eliminate stipend for teachers’ summertime work on innovation and development
Eliminate stipends for teacher leaders
Eliminate all librarians and media center staff and close media centers
Eliminate school board stipends
Eliminate school board expenses, including lawyers and auditing services
Reduce time of superintendent to one day per week
Eliminate all photocopiers and their supplies
Eliminate maintenance of athletic field
Eliminate one school principal, leaving only one for both school buildings
Eliminate all office incidentals: postage, supplies, advertising, etc.
With the above reductions

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

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

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

Does this level of funding meet the State’s duty to provide an adequate education for Pittsfield’s 581 students?
The New Superior Court Decision in The ConVal Case

“The Court construes the fundamental right at issue as a right to the opportunity to a fully State-funded adequate education.”

Cheshire County Superior Court
Justice David Ruoff
June 5, 2019
The Superior Court Ruling in the ConVal Case on the Current Adequacy Standard

“RSA 198-40a II(a), the state statute that sets the cost of baseline adequacy (currently $3,636), is unconstitutional as applied to the petitioner school districts.”

Cheshire County Superior Court
Justice David Ruoff
June 5, 2019
## Comparing Starting Teacher Salaries

<table>
<thead>
<tr>
<th>Town</th>
<th>New graduate with a BA, first year salary 2018/19</th>
<th>New graduate with an MA, first year salary 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portsmouth</td>
<td>$44,667</td>
<td>$51,604</td>
</tr>
<tr>
<td>Stratham</td>
<td>$45,060</td>
<td>$51,917</td>
</tr>
<tr>
<td>Hanover</td>
<td>$45,167</td>
<td>$50,135</td>
</tr>
<tr>
<td>Exeter</td>
<td>$45,462</td>
<td>$51,736</td>
</tr>
<tr>
<td>Lyme</td>
<td>$47,365</td>
<td>$51,917</td>
</tr>
<tr>
<td>Pittsfield</td>
<td>$30,452</td>
<td>$34,323</td>
</tr>
<tr>
<td>Franklin</td>
<td>$32,782</td>
<td>$35,904</td>
</tr>
<tr>
<td>Stratford</td>
<td>$32,800</td>
<td>$34,300</td>
</tr>
<tr>
<td>Allenstown</td>
<td>$34,331</td>
<td>$39,736</td>
</tr>
<tr>
<td>Newport</td>
<td>$34,363</td>
<td>$36,517</td>
</tr>
</tbody>
</table>

Starting teachers in Pittsfield, etc., might earn $15,000 more elsewhere. This causes high teacher turnover.
2008 to 2018: Change in School District Revenue

- Local Taxation: $34,362,668
- "Adequacy" Aid: $32,679,121
- Tuition, Food, & Other Local Revenue: $354,681
- Other State Sources: $(20,225,961)

Total Change: $570,434,605

Additional Revenue Sources:
- State "Adequacy" Aid
- Federal Sources
- Tuition, Food, & Other Local Revenue
- Other State Sources
Average Teacher Salaries in Selected Districts
2007/08 & 2017/18 school years

Pittsfield, $40,879
Claremont, $46,598
GRS Coop, $47,756
Berlin, $58,800
Sunapee, $68,807
Portsmouth, $72,563
Rye, $75,691

2007-08
2017-18
Questions?