

NEW HAMPSHIRE

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I. GENERAL BACKGROUND

State and Local

New Hampshire has 234 cities and towns which are organized into 177 school districts. The 1998–1999 public school enrollment in these districts was 105,979 elementary, 39,930 middle/junior high, 57,218 high school students for a total of 203,127. Many of the 234 municipalities are single town districts (132) where the municipality boundary is coterminous with the school district. The remaining towns are organized into 31 cooperative school districts, also known as regional school districts. These districts represent two or more towns which have joined together to share resources in order to provide educational services to a region. There are also 14 small school districts that do not operate any schools. These districts send their students to nearby districts and pay a per pupil tuition fee for each child enrolled in the school. For administrative purposes, the 177 school districts are organized into 71 School Administrative Units (SAUs). An SAU is the administrative component and employs a superintendent of schools. Some SAUs are comprised of a single district; others have two or more school districts sharing administrative services and the superintendent's office.

Each school district in New Hampshire is governed by a school board which is composed of elected members, generally serving a 2 or 3 year term on the board. The board adopts an annual budget which is presented to the district voters at an annual school district meeting. School boards do not have the power to tax; they present a budget for approval at the school district meeting. Voters, who are legal residents of the school district, have the authority to approve a final budget figure. They can approve the budget presented by the school board or alter it and adopt a higher or lower budget. The school board then makes decisions on where budget cuts (if any) are to be made. The voter approved budget figure is taken to the State Department of Revenue Administration which determines a local property tax rate necessary to raise the appropriate sum of money. The only exceptions to this are 10 city school districts. In nine of these cities the school board submits its budget to the city council for approval. One city, New Hampshire's capital, has a fiscally independent elected school board which adopts a final school budget with no approval required by a legislative body. In

summary, the school board of a district is responsible for setting policy and governing the district. It adopts an annual budget which must be approved by a majority of residents of the district at a local school district meeting. This budget then dictates a local property tax rate to raise the necessary revenue to operate the schools.

New Hampshire, more than any other state in the nation, relies upon the local property tax to fund the local education program. Statewide, approximately 90% of the revenue for schools come from local property taxes, 7% from the state in the form of school aid and 3% from federal sources. This results in significant disparities among districts in terms of their ability to raise money for schools. The heavy reliance on local property taxes means the ability to raise money is directly related to the property wealth of the district. Those districts with lower property values tax themselves at a higher rate and raise less money than districts which have higher property value. The following table illustrates the impact of this heavy reliance on the local property tax rate.

**Pupil Group Summary of
School Finance Data**

The state's school districts were divided into 3 equal pupil groups, ranked low to high according to equalized valuation per pupil. Property-poorer districts are in Pupil Group 1, property-wealthier districts are in Pupil Group 3.

Summary table of weighted means for grouped school districts

(Except where noted)

Pupil Group	1997 Equalized Valuation Per Pupil	1997 Ave. Daily Membership in Residence	1993 School Tax Rate \$1000 Equalized	1993 Local Per School Revenue Per Pupil	1992-1993 Cost Per Pupil in Attendance
1	\$ 215,630	70,697.1	\$ 22.13	\$ 4,771	\$ 4,945
2	\$ 287,256	61,084.7	\$ 20.24	\$ 5,815	\$ 5,567
3	\$ 542,053	60,403.3	\$ 12.72	\$ 6,893	\$ 6,281
State Ave	\$ 338,428	192,185.1	\$ 17.32	\$ 5,763	\$ 5,552
		(Total)			

62% of all students live in districts which spend *below* the state average cost per pupil.

74% of all students live in districts which are *below* the state average equalized valuation per pupil.

68% of all students live in districts which levy *above* the state average equalized school tax rate.

Funding Summary 1998–1999

Total State School Aid (All Programs)		\$ 126.2 million
Grants in Aid	117.2 million	
Teacher Retirement Contributions	9.0 million	
FICA	0 million	
Total Local School Revenue		\$ 1,090.0 million
Property Tax	1,090.0 million	
Other local source tax revenue	0 million	
Local source non-tax revenue	0 million	
Total Combined State and Local School Revenue		\$ 1,216.2 million
State Financed Property Tax Credits		
Attributable to School Taxes		0

The revenue from state business profits tax of approximately \$20.7 million is usually credited by a past-practice provision to schools. This direct revenue is used to lower the total school assessment upon which the local property tax rate is set.

II. LOCAL SCHOOL REVENUE

The property tax is the only local tax that funds schools. In 1996–1997 it generated \$1.1 billion. Local tax rates are set after a simple majority of voters at an annual school district meeting adopt a budget. Local community assessments, which vary widely among towns, are then examined and taken to the State Department of Revenue Administration. Any revenue to the district, including the school portion of the business profits tax (described earlier) is then deducted from the adopted budget and a local property tax rate is set.

Voter Approval of Bond Issues

A school district may vote to issue bonds and put itself in debt for two or more years by a 2/3 majority vote at a school district meeting (see IV. Capital Outlay and Debt Service). The debt incurred annually is part of the total school assessment upon which the local tax rate is set.

III. TAX AND SPENDING LIMITS

The legislative body is the final authority on total allowable expenditures. The governing body (school board) adopts an annual budget which is presented to the district voters at an annual school district meeting. A school district budget is adopted and the district may not spend more than that authorized by the legislative body. The adopted budget approved by the legislative body may be more, or less, than that proposed by the governing body (school board). A provision in New Hampshire law exists which, if adopted by the local district, can empower a budget committee to help develop and set a school district budget. In any district electing this provision of New Hampshire law, the total amount appropriated at any annual meeting shall not exceed by more than 10% the total amount recommended by the budget committee.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

All profits from New Hampshire's various sweepstakes/lottery programs are designated for education, specifically earmarked to fund the foundation aid program. In 1998, the New Hampshire Sweepstakes Commission gross revenue was \$187.1 million. Of this total revenue, \$125.8 million covered the cost of sales, \$3.8 million was used for operating expenses and \$57.5 million was the net to education, distributed through foundation aid. Total foundation aid that year was \$68.5 million, with sweepstakes revenue funding \$57.5 million, or 84% of the total foundation aid distribution.

V. BASIC SUPPORT PROGRAM

Foundation Aid

Funding in 1998–1999: \$68.5 million.

Percentage of Total State Aid: 54.3%.

Nature of Program: Foundation Program.

Allocation Units: Weighted pupils are used to estimate a total cost of education assuming the state average per pupil cost. State aid is then a percent of this total cost based upon the fiscal capacity of the community as determined below (see state share).

Local Fiscal Capacity: Assessed property valuation, school tax rate and personal income.

How Formula Operates: Foundation aid is the major state aid to education program. It is New Hampshire's only equalization aid program. The current statute was passed in 1985 and attempts to address both taxpayer equity and student equity.

Student equity is measured by weighted pupil counts for students in each district, with weights assigned to various programs based upon cost, e.g. special education, vocational education, etc.

Taxpayer equity is measured by the fiscal capacity of the town: its property wealth, income wealth and school tax effort. The local town's actual measure on each variable is compared to the state average. To the extent a town is below average in property wealth, below average in income wealth and above average in tax effort, the town will be considered more needy for state aid.

State Share: An attempt is made to fund an "average" district at a targeted 8% of operating expenditure. To the extent a district is below average in wealth, it will receive more than 8% in state foundation aid and those districts which are above average in wealth receive less than 8% in state aid. In each year of its existence, the funds appropriated for foundation aid have been less than the amount needed given the target of 8% for an average district. A mechanism exists in the formula to reduce each town's entitlement so that the total funding equals the state appropriation.

Local Share: Districts are responsible for remaining costs.

Weighting Procedures: Weighting by grade level. See above.

Adjustments for Special Factors: None.

Aid Distribution Schedule: The Department of Education notifies the school districts of the estimated amount of foundation aid to which they are entitled for

the following fiscal year by November 1. Payment of foundation aid is made in approximately three equal payments per year during the fiscal year for which such aid is due.

Beginning in the 1999–2000 school year, foundation aid will be repealed. In response to a school funding lawsuit, the state adopted in May 1999, a new Adequate Education Funding Plan. Details of the plan are still being finalized by the legislature, but the intent is that the state provides for an “adequate” education at approximately \$4,220 per pupil, funded in part by a statewide property tax of \$6.60 per \$1,000 equalized valuation. This new state tax will yield approximately half the necessary revenue. The legislature continues to debate how to raise the additional money required by the new law.

Districts Off Formula: In 1998–1999, 160 towns received some foundation aid (range was \$2 thousand to \$4.8 million) and 74 towns did not qualify for any foundation aid at the funded level.

VI. TRANSPORTATION

See Section XII. Vocational Education Tuition and Transportation.

VII. SPECIAL EDUCATION

Special Education Catastrophic Aid

Funding in 1998–1999: \$12.6 million.

Percentage of Total State Aid: 10%.

Description: Special education catastrophic aid addresses the cost of severely handicapped students. This aid is based on the total expenditure made on an individual student. After spending 3.5 times the estimated state average cost per pupil for the preceding school year, districts are entitled to receive in state aid 80% of subsequent costs up to a maximum of 10 times the state average cost per pupil. All remaining costs after this expenditure level is exceeded are reimbursed in full by the state.

State and Local Share: 80% of the costs in excess of 3.5 times the state average and all costs in excess of 10 times the state average are reimbursed by the state.

Extent of Participation: Not reported.

VIII. COMPENSATORY EDUCATION

No state aid provided.

IX. GIFTED AND TALENTED EDUCATION

No state aid provided.

X. BILINGUAL EDUCATION

No state aid provided.

XI. EARLY CHILDHOOD EDUCATION

No state aid provided.

XII. OTHER CATEGORICAL PROGRAMS

Vocational Education Tuition and Transportation Aid

Funding in 1998–1999: \$3.3 million.

Percentage of Total State Aid: 2.6%.

Description: New Hampshire operates 20 regional vocational education centers for grades 11 and 12. The state supports this program by paying for the construction of any designated vocational facility or area used for vocational purposes (see section XV) and by providing aid to those sending districts for the tuition as well as transportation costs incurred. The state will help pay tuition and transportation costs associated with full or part-time students attending programs at designated vocational centers or designated vocational education courses at other comprehensive high schools, whose residence is in a district where the high school of normal attendance does not offer a similar vocational education course. Tuition payments are made to the receiving district and transportation is reimbursed to the sending district.

State and Local Share: State support for vocational students consists of funding 75% of the prorated tuition cost for sending a student to a vocational program, as

well as 8¢ per mile travel reimbursement for daily round trip transportation to and from the receiving school.

Extent of Participation: Not reported.

Kindergarten Incentive Program

Funding in 1998–1999: \$8.25 million.

Percentage of Total State Aid: 6.5%.

Description: Kindergarten is not a required offering in New Hampshire. In 1997, the state adopted an incentive program encouraging districts to offer kindergarten. The state will pay annually to local school districts the sum of \$750 per eligible kindergarten pupil who resides in the district and attends a public kindergarten in those districts that provide and maintain a public kindergarten program. These incentive funds are also provided to districts that contract with other established public kindergarten programs for the education of their resident kindergarten pupils or have an approved alternative kindergarten program established.

Beginning in the 1999-2000 school year, this incentive program will be repealed. The new Adequate Education Funding Plan is still being finalized by the legislature, but the new distribution formula will be based on a weighted pupil count. The weighting for kindergarten pupils should benefit districts more than the current \$750.

State and Local Share: N/A.

Extent of Participation: Not reported.

Other Programs

Funding in 1998–1999: \$1.3 million.

Percentage of Total State Aid: 1%.

Description: Several smaller programs exist providing aid to school districts. In 1998–1999 these included:

Program	Appropriation
Driver Education	\$131,883
Local Education Improvement Program	\$250,000
Spec. Educ. Regional Demo. Programs	\$350,000
Statewide Special Education	\$300,000
Other	\$300,000

XIII. TEACHER RETIREMENT AND BENEFITS

Funding in 1998–1999: \$9 million.

Percentage of Total State Aid: 7.1%.

Description: The New Hampshire retirement system requires an employee contribution of 5% as well as an employer contribution. The employer (school district) rate for 1998–1999 was 4.05% of salary. However, the state contributes 35% of this rate leaving a local district rate of 2.63% plus an administrative fee of .3% for a total district contribution of 2.93%. The total state share was \$9 million.

Extent of Participation: All districts.

XIV. TECHNOLOGY

No state aid provided.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Building Aid

Funding in 1998–1999: \$20.0 million.

Percentage of Total State Aid: 15.8%.

Description: Building aid is available to districts for renovation and construction of new facilities to accommodate growth in enrollment. School districts are eligible to receive as aid an amount of money equal to a certain percent of their annual principal payments. A single town school district receives 30% of its annual principal payment in the form of state aid. As an incentive for

consolidation, regional (or cooperative) school districts receive an extra 5% for each additional town in the district, starting at 40% for a district consisting of two towns. This percent is "capped" at 55% for districts with 5 or more towns.

Extent of Participation: Not reported.

Local Capital Project Financing

The issue of bonds or notes by any school district is authorized by a ballot vote with approval by two thirds majority at a school district meeting. To receive building aid, the district must submit plans, specifications, cost and purchase estimates in writing to the state board before January 1 of each year in order to be eligible for school building aid in the fiscal year following the year of submittal.

Vocational School Buildings

Funding in 1998–1999: \$3.2 million.

Percentage of Total State Aid: 2.5%.

Description: New Hampshire operates a regional vocational education program for grades 11 and 12. School districts in each region can tuition their students to the regional vocational education center for a part time program. The state supports this program by constructing the facility (or area to be used for vocational education purposes) as well as by providing aid for the tuition and transportation costs incurred (see section XII).

Kindergarten Construction Program

Funding in 1998–1999: \$0.4 million.

Percentage of Total State Aid: less than 1%.

Description: Kindergarten is not a required offering in New Hampshire. In 1997, the state adopted an incentive program encouraging districts to offer kindergarten. For the 5-year period starting July 1, 1997 and ending June 30, 2002, the state will make grants available to eligible districts that currently do not operate a public kindergarten program to cover 75% of the actual cost of construction of kindergarten facilities, exclusive of site acquisition and core facilities. The state will also make grants to eligible districts that currently operate a public kindergarten program for 75% of the cost of construction,

exclusive of site acquisition, needed to provide the kindergarten program with classrooms that meet the appropriate standards for school building construction established by the state board of education.

Extent of Participation: Not reported.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

The Department of Education, in conjunction with the State Board and the Legislature, implemented a statewide educational improvement and assessment program in 1994. The purpose is to, "establish what New Hampshire students should know and be able to do and to develop and implement effective methods for assessing that learning and its application so that local decisions about curriculum development and delivery can be made." The NHEIAP (New Hampshire Educational Improvement and Assessment Program) consists of statewide testing in grades 3, 6, and 10. Testing involves English/language arts, mathematics, science and social studies. Test questions are developed around the curriculum frameworks that have been developed for each of these content areas. Students are scored for their proficiency in these subject areas. Results for all schools statewide are published every fall and command much media attention.

New Hampshire also has minimum standards for the approval of all schools. These are generally "input" standards, i.e. standards on school facilities, class size, staffing (e.g. guidance counselor max load is 500 students served), minimum time required in various subject areas, units (credits) of required subjects, etc.

XVII. REWARDS/SANCTIONS

Rewards and sanctions have become an issue during the past two years. The Department of Education has the legal authority to withhold state aid to schools that fail to meet approval. Schools that have failed to meet approval, for example an over crowded facility and the local school has failed to get public approval for a bond issue, have historically been conditionally approved by showing a plan to come into compliance. Recently the state board threatened to withhold state aid, but so far has not actually done so. The past legislative session has proposed legislation to implement an accountability plan, but this was defeated and will be introduced again this year.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Funding for non-traditional public schools (charters, open enrollment, etc.) has been an issue in each of the last several legislative sessions. Open enrollment bills have been introduced and have really been aimed at funding for private schools, or property tax abatements for sending children to private school. So far, none have passed.

The New Hampshire legislature adopted charter school legislation in 1995. Charter schools are fully exempted from state laws and rules, which apply, to public schools, school boards or districts. Charter schools have all the rights and privileges of other public schools. The local school board may approve or disapprove a proposed charter. The proposal must address certain required elements including governance, structure, curriculum, staffing, etc. State Board approval overrules local school board disapproval, but local legislative body approval is required prior to operating a charter school. So far there are no operational charter schools. The charter school law allows for public money to be directed from the public school to the charter school, but also requires legislative body (voter) approval before this can occur. There are currently two charter schools that are in the planning stages to be brought to the voters this spring.

XIX. AID TO PRIVATE SCHOOLS

No state aid provided.

XX. RECENT/PENDING LITIGATION

Litigation concerning funding of public education in New Hampshire is ongoing. The original case, *Claremont v. Governor*, 703 A.2d 1353 (N.H. 1997), resulted in a supreme court order requiring a major change in the funding of education to be implemented by April of 1999. Last year was a very difficult legislative session. The legislature came to agreement in mid-April (via a Committee of Conference compromise) on a new funding plan for public education. It involved defining an adequate education and determining the cost to provide that adequate education. The plaintiff districts have filed again in court claiming the remedy is not sufficient. They take issue with the definition of an adequate education, how it was costed out, and what the resulting cost figure is. Part of the solution to the funding crisis was a new statewide property tax which resulted in tax increases for several property wealthier towns. These towns have decided to challenge the new statewide tax.

XXI. SPECIAL TOPICS

In April 1999, the New Hampshire legislature adopted a new school funding formula in response to a lawsuit brought by several plaintiff districts. In its initial ruling on the *Claremont* case, the New Hampshire supreme court found "that it was the State's duty to provide a constitutionally adequate public education and to guarantee adequate funding." Subsequently, in December 1997, the supreme court found that "the property tax levied to fund education is, by virtue of the State's duty to provide a constitutionally adequate public education, a State tax and as such is disproportionate and unreasonable in violation of part II, article 5 of the New Hampshire Constitution." The decision made it clear that New Hampshire's system of primarily using the local property tax to fund public education was unconstitutional. Acknowledging that the legislature required a reasonable time to affect an orderly transition, the Court also stated, "the present funding mechanism may remain in effect through the 1998 tax year." The new school funding system is in effect for the 1999-2000 school year and is based on a weighted pupil formula, applying weights to the local ADM-Residence counts. Elementary ADM-R counts as one (1.0) and high school ADM-R receives an extra 20% weight (1.2). Special Education ADM is then counted again (a weight of 2) and then a weight is applied for poverty. Poverty is measured as the percent of the elementary student population eligible for free or reduced meals. Districts with less than 12% of the elementary population eligible receive no additional weighting: districts with 12-24% receive an additional weight of .5 for those students, and districts with more than 24% of the elementary students eligible receive an additional weight of 1.0 for each of those students. The final weighted pupil count is then multiplied by the statewide base cost per pupil, approximately \$3,200. This base cost is determined by taking the average cost per pupil in attendance of the lowest spending half of districts with 40 to 60% of the elementary pupils achieving a certain performance level on the New Hampshire statewide assessment test (New Hampshire Educational Improvement Assessment Program). In addition to this amount, 70% of the local district's transportation cost is added to the above product to determine the total adequate education grant. The total statewide grant will be \$825 million, funded in part by a statewide property tax of \$6.60, raising approximately half the necessary funds.