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Education Finance in NH: Headed to a Rural Crisis?

Greg Bird

Eastern States Legislative Fiscal Officers
September 6, 2017

"... to raise new ideas and improve policy debates through quality information and analysis on issues shaping New Hampshire's future."

The takeaways

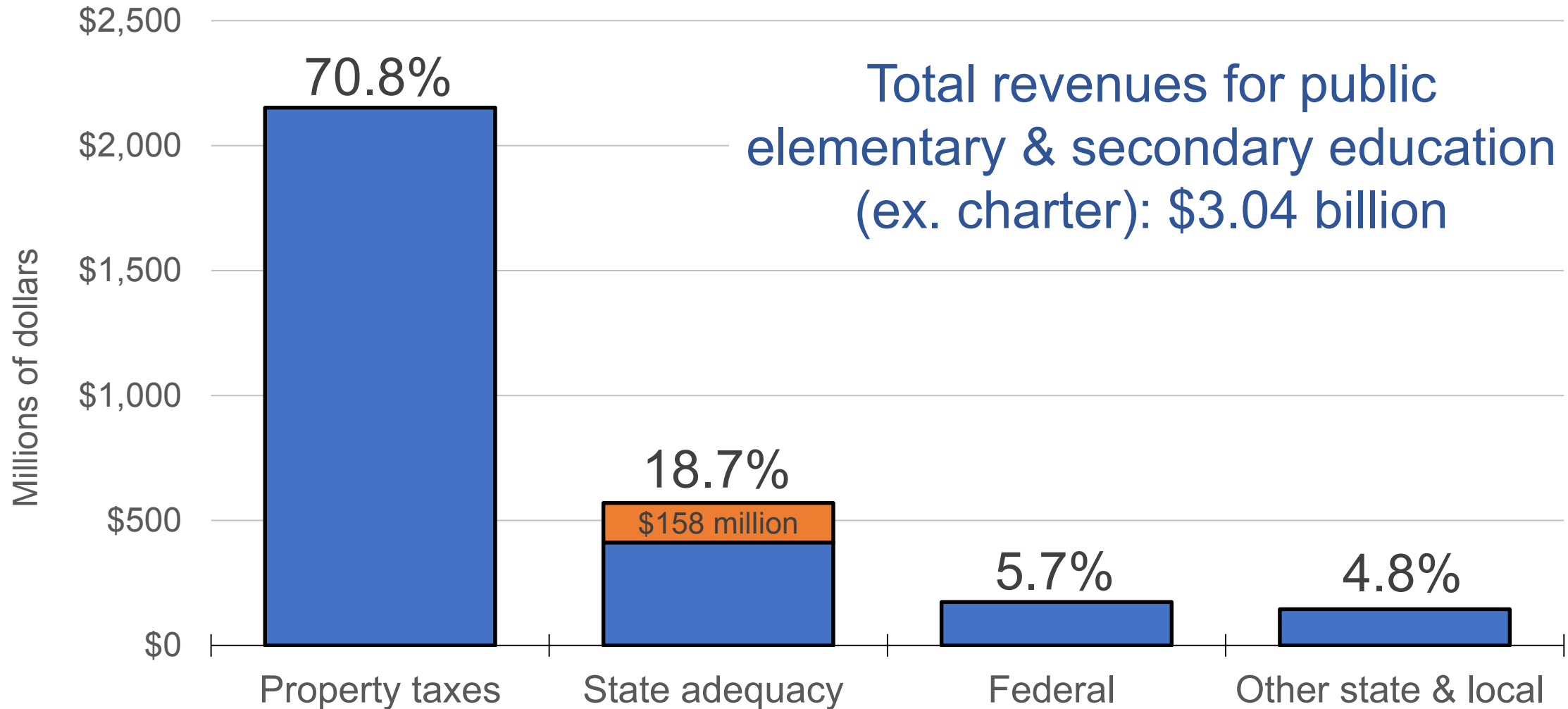
- Significant disparities among communities persist, despite court decisions that ordered the state to remedy those imbalances.
- Certain communities are near or at their financial tipping point.
- Current law foreshadows that the state will pull back its financial support to the overall system.
- That increased financial burden on communities will be felt the most in those already struggling to meet their obligations.

The impetus: Stabilization grants

Communities coalesce to stave off funding cuts

- Berlin, Charlestown, Claremont, Franklin, Northfield, Pittsfield
- Their ask of the legislature: Rescind the gradual elimination of **stabilization grants**, a component of state education aid
 - Why? Loss of dollars = “horrific consequences”
- HB525: House Education has “retained”, meaning no action as of yet

Stabilization grants are small potatoes relative to total \$ raised for public education in New Hampshire...



...but for some communities, it's not trivial and these places are some of the least fortunate, the ones with the least fiscal capacity...

Top 20 communities in terms of stabilization grants per student (>100 students)

Town (Rank)	Grant per student	Free and reduced lunch	Property value per student	Total property tax rate per \$1,000
Berlin (1)	\$4,916	56%	\$298,075	39.2
Pittsfield (9)	\$4,056	49%	\$463,649	32.3
Charlestown (13)	\$3,772	46%	\$388,600	35.1
Claremont (15)	\$3,632	50%	\$398,920	42.6
Franklin (16)	\$3,630	57%	\$473,070	25.2
Northfield (17)	\$3,573	36%	\$452,148	26.0
Top 20 (median)	\$3,953	44%	\$479,031	28.6
Rest of NH (median)	\$535	25%	\$924,880	23.2

...and this is their reality

- *We see the same thing (re: high and rising property tax burdens) in Haverhill. People don't even want to move into town:* Rick Ladd, House Education chair
- *In my eight years as city manager, 2016 has been the worst in terms of tax liens placed on properties:* Elizabeth Dragon, Franklin City Manager
- *We have moved past skimping on supplies. It's programs, buildings, and people. We don't know what to do:* Lisa Witte, Monadnock Regional School District superintendent
 - *Sunsetting the stabilization program means the state is again renegeing on its obligation to provide that adequate education:* Ken Merrifield, Mayor of Franklin and Wayne Crowley, Northfield selectboard chair

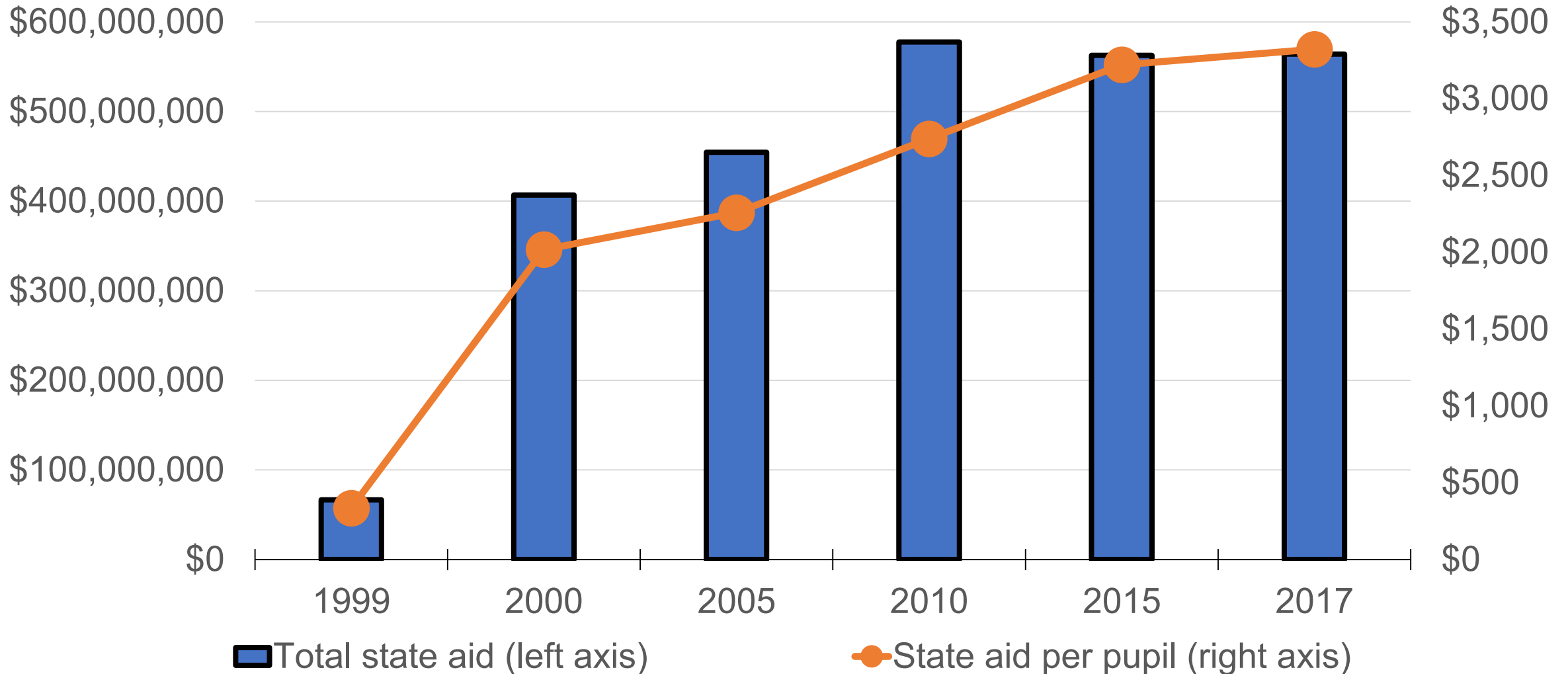
Wait a minute...

Wasn't the heart of Claremont to fix this?

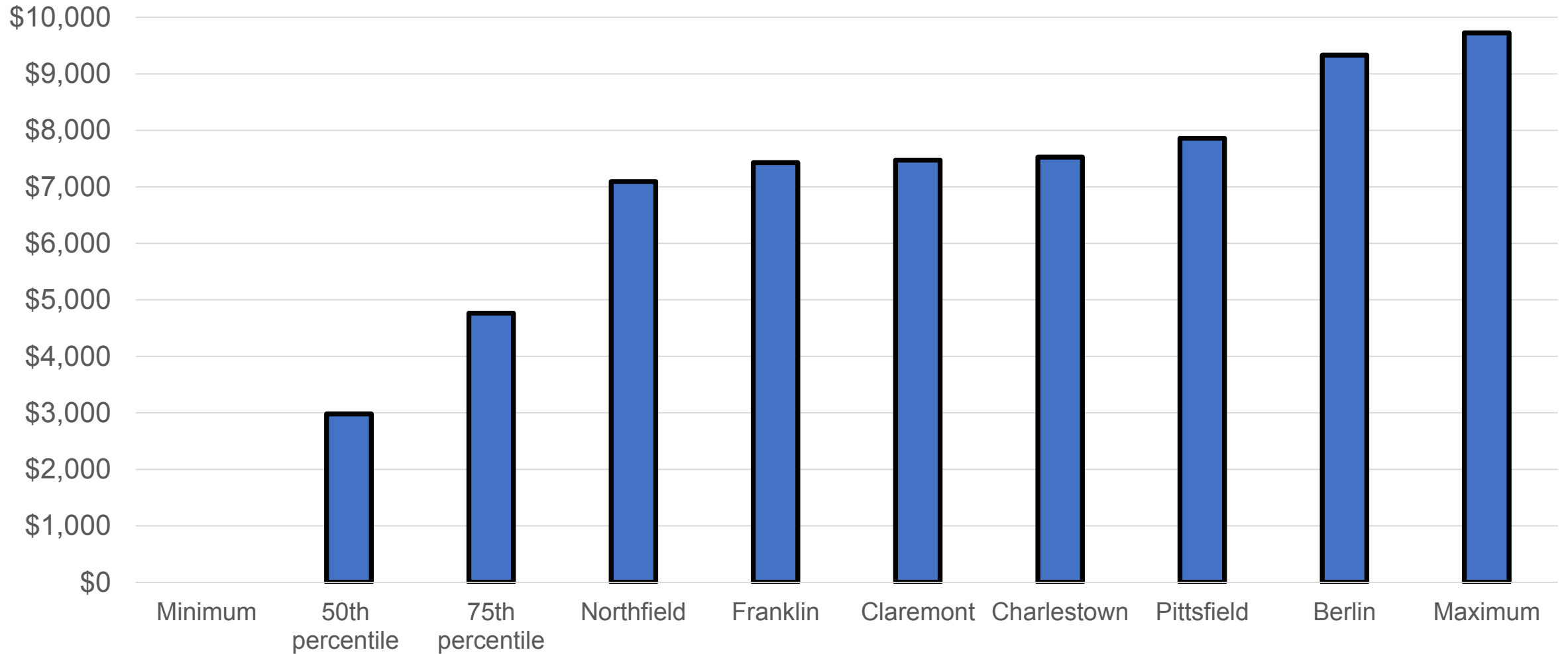
Claremont Sch. Dist. v. Governor (1993 & 1997)

- “We hold that part II, article 83 imposes a duty on the State to provide a constitutionally adequate education to every educable child in the public schools in New Hampshire and to guarantee adequate funding.” (Claremont I)
- “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 in another town to fulfill the same purpose of meeting the State’s educational duty.” (Claremont II)
- “...varying property tax rates across the State violate part II, article 5 of the State Constitution in that such taxes, which support the public purpose of education, are unreasonable and disproportionate. To the extent that the property tax is used in the future to fund the provision of an adequate education, the tax must be administered in a manner that is equal in valuation and uniform in rate throughout the State.” (Claremont II)

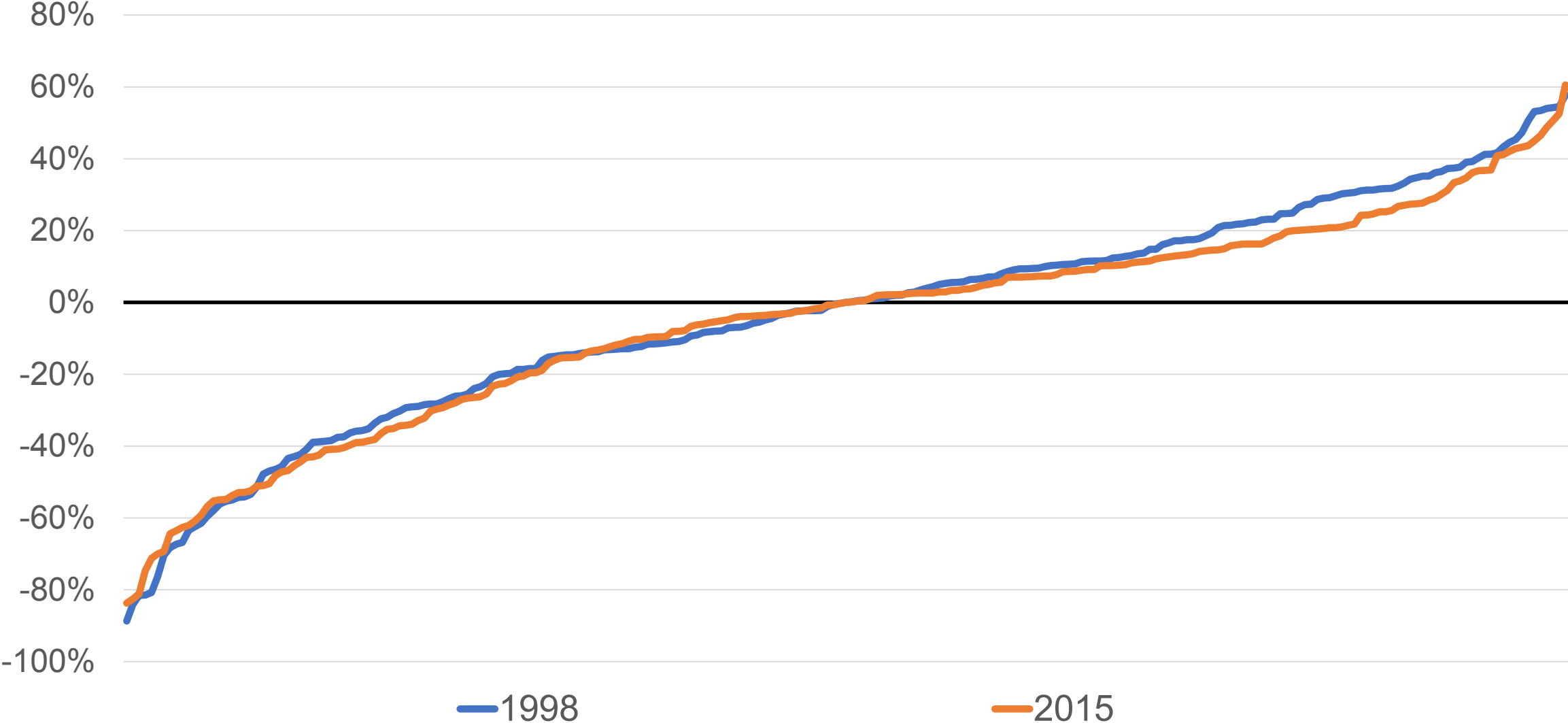
After Claremont II, the state's commitment grew considerably, though still small relative to other states and has begun to diminish



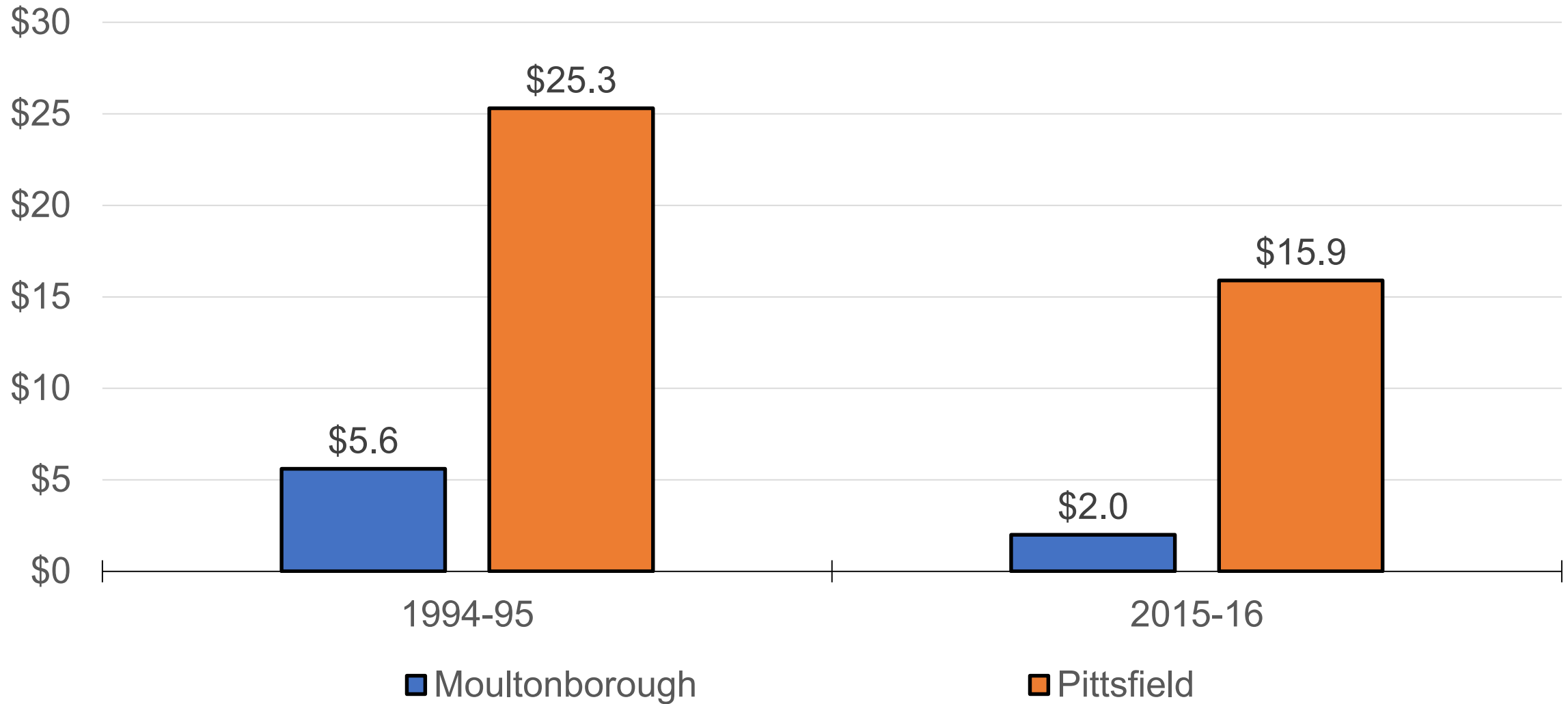
All New Hampshire incorporated cities/towns: State funds for public education (ex. SWEPT) per ADM-R (FY2017)



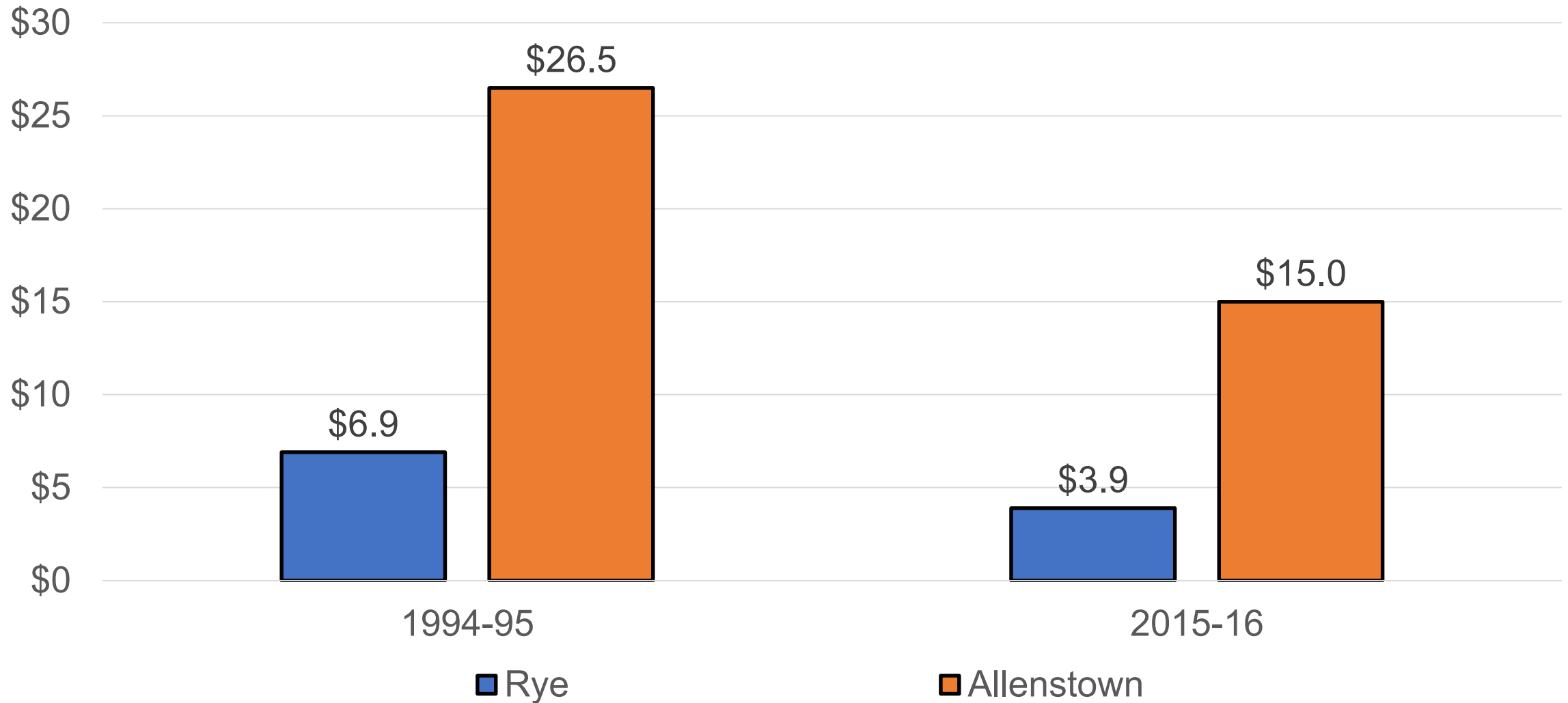
Equalized education property tax rates (local and state) % from median rate



Local school property tax rates per \$1,000 equalized property value



Local school property tax rates per \$1,000 equalized property value

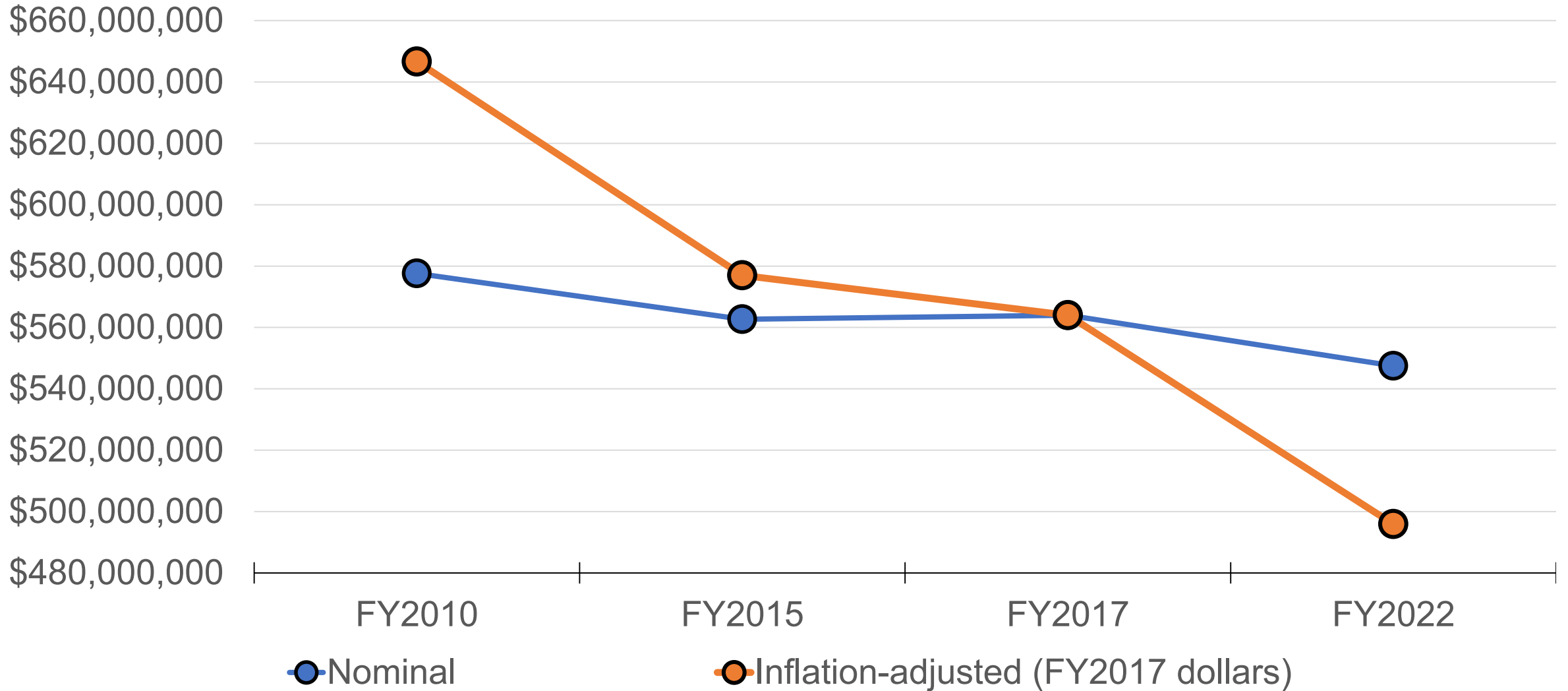


Hampton vs Claremont

	Hampton	Claremont
ADM-R	1,574	1,661
Population	15,145	13,233
Median family income	\$98,642	\$53,432
Median home price	\$336,800	\$137,100
Total property tax rate	\$19.2	\$41.5
Tax bill on median home price	$(19.2/1000)*(\$336,800) = \$6,453$	$(41.5/1000)*(\$137,100) = \$5,686$
Tax bill as % of median family income	$\$6,453 / \$98,642 = 6.5\%$	$\$5,686 / \$53,432 = 10.6\%$

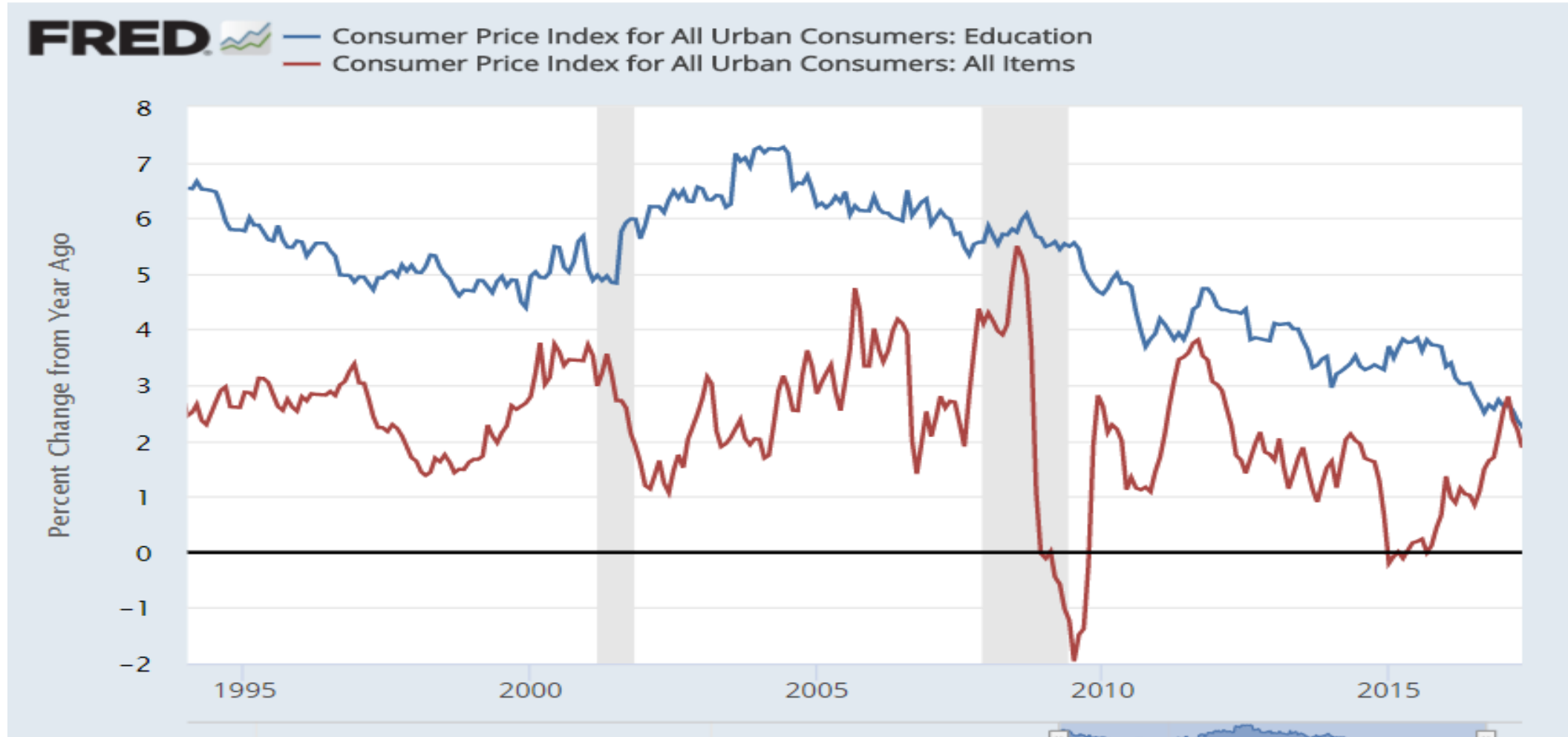
Looking into the crystal ball...

The state will step back ever so slightly from supporting public education, though it's even more due to inflation and ...



...education costs rise much faster than the general rate of inflation.

Posted on June 22, 2017



Winners

	FY17	FY22	Difference
Bedford	\$2,002	\$2,269	\$266
Exeter	\$2,279	\$2,550	\$271
New Boston	\$2,694	\$2,973	\$279
Lyme	\$1,353	\$1,635	\$282
Grantham	\$1,331	\$1,627	\$295
Greenland	\$826	\$1,123	\$296
Dover	\$2,498	\$2,801	\$304
Sutton	\$1,949	\$2,264	\$316
Windham	\$2,046	\$2,412	\$366
Ellsworth	\$2,035	\$2,437	\$402
Stoddard	\$439	\$1,065	\$627

Losers

	FY17	FY22	Difference
Berlin	\$9,332	\$8,814	-\$518
Hinsdale	\$8,456	\$7,963	-\$493
Colebrook	\$7,361	\$6,881	-\$480
Northumberland	\$8,968	\$8,495	-\$473
Newport	\$8,090	\$7,618	-\$472
Lancaster	\$7,632	\$7,170	-\$462
Greenville	\$8,191	\$7,737	-\$453
Pittsfield	\$7,861	\$7,410	-\$451
Milan	\$6,585	\$6,141	-\$445
Haverhill	\$6,835	\$6,390	-\$444

Moving forward...

- Are we heading toward a future where certain schools will not be able to provide an acceptable level of education? (i.e. Franklin High School, Laconia and its teacher of the year, Pittsfield and 23% turnover).
- Will public unrest over rising property tax bills persist and intensify?
 - Carl Anderson, a Pittsfield selectman, told legislators his town’s taxpayers were at a breaking point. “The closer we get to the edge – and believe me, we’re right there ... the more anger there is from the public,” he said.
 - Lori Davis, a Weare Finance Committee member: “I’m listening to the way this is negotiated and it seems like you’re not listening to your taxpayers. (Teachers) have got to understand that it comes down to if you want a job, we’re going to be cutting benefits and you’re going to be paying more. If someone wants New York City benefits, those are in New York”
 - Mark MacLean, superintendent for SAU 46: “The lack of control property owners feel w/increasing tax bills at times compels folks to look scornfully at their local education system. As a result, the public perception of the value of education is eroding.”

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