



BY BRUCE MALLORY

In a recent monograph presented to the National Conference of State Legislatures, Herbert J. Kiesling of Indiana University made these observations:

- 1) Educational outlays by local school districts continue to grow despite decreasing enrollments.
- 2) States forced by recent court rulings to equalize educational opportunity are caught between financial and political pressures. They must either increase expenditures (and taxes) or use existing resources more effectively.
- 3) Local school budgets have reached a zenith, are highly visible and vulnerable to public scrutiny. People no longer seem to accept educational expenditures as a community's first priority.
- 4) Changing population characteristics have left many classrooms underused. This, too, has resulted in a lessening of the high favor the public school system once enjoyed. Other human services are now competing for public tax money.

New Hampshire has escaped none of these developments. First, local school district budgets have increased steadily and substantially since the beginning of the decade, yet enrollments have grown much more slowly. Second, the state's public school system is supported almost entirely by local property taxes, which vary from 47 cents to \$3.54 per hundred (full value). This is mirrored by the wide range of per pupil expenditures among districts — from \$442 to \$2293 per elementary pupil, and from \$668 to \$1776 per secondary pupil. There is evidence that children in districts with low per pupil expenditures do not have the educational opportunity their peers enjoy in the higher-financed districts.

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Third, with the growing number of private human service agencies looking to communities for support, education finds itself competing for the tax dollar. Finally, changing population trends have increased burdens on northern communities, which have actually grown more rapidly than southern towns but have lower tax bases.

Where do schools get their money? Primarily through local property tax. For every dollar spent on a New Hampshire student, 88 cents comes from local revenue, 7 cents from the state and 5 cents from federal sources. The national figures are 51 cents, 41 cents and 8 cents, respectively. New Hampshire ranks 50th in state aid per pupil at \$54 per year, compared to the next lowest state, South Dakota, which provides twice that amount. The national average is \$372 per pupil.

To date, the New Hampshire General Court has not taken an active role in alleviating this pressure on the local community. The 1975 legislative session took several steps to squeeze blood from a turnip by increasing taxes on foreign income, beer, corporations and cigarettes. At the same time, certain property tax exemptions for the elderly and disabled were increased.

One response to this squeeze has come from local school districts, many of whom supported a measure to prevent the State Legislature from mandating any educational policy without providing the funds to carry it out. Although the bill failed, it reflected widespread opposition to statutes such as RSA 186:A, which mandates special education for handicapped children but does not provide additional money for it.

Another indication of the mood of the Legislature comes from a recent legislative seminar on "Taxation and the Citizen." Two questions bearing on school finances were posed. First, should an attempt be made to equalize property tax rates between towns? The legislators felt this would be hard to accomplish and probably just as inequitable. They sug-

gested that statewide taxation would be one way to accomplish equity. The second question asked if a fast growing state like New Hampshire would be more apt to feel greater tax inequities. The lawmakers felt it would, noting that rapid growth greatly compounds unfair taxation. In spite of these individual opinions, it would be surprising if a broad-based tax could survive the present membership, and it would be impossible to override the certain gubernatorial veto.

At the seminar, Dr. Douglas Jones, economist with the Library of Congress, presented a paper titled, "Taxation and the New Hampshire Citizen: the Near Term Future." It concluded that New Hampshire will be able to meet its short-term commitments through the present tax system, which is inequitable. He stated, "Most public finance economists would argue that such heavy reliance on user charges and on selective sales and property taxation (as in New Hampshire) results in great regressivity to the system and that, conversely, a major reliance on the income tax is the fairer public policy route to follow." The paper also pointed out that the total New Hampshire expenditure on public education is two-thirds of the national average, yet our total expenditure on highways is half again as much as the national average.

In addition, New Hampshire has the eighth highest per capita property tax in the nation. Our property tax averages 5.5% of per capita personal income, compared to 4.0% nationally. Thus, although we will be able to find the revenue to meet expenses over the next several years, it will continue to be on an inequitable and regressive basis. Dr. Jones predicted that New Hampshire will implement a general income tax by the early 1980's, providing people understand that, "Significant property tax relief for every citizen could accompany the introduction of a broad-based income tax. Equity would thereby be served without sacrificing fiscal adequacy."

The issue of equity has been addressed by both state and federal courts over the past few years. Although the United States Constitution does not mention education as a basic human right, many state constitutions, including New Hampshire's, specifically mention the establishment of a system of public schools as a function of state government. It may be inferred from this that education is a constitutionally-protected right, available to all individuals on an equal basis. Thus, equity applies not only to the tax structure but also to the opportunity to receive an education equal to your neighbor's. Two landmark court decisions, with opposite results, have not clarified the issue.

In *Serrano v. Priest* (1973), the California Supreme Court held that reliance on local property taxes to finance education is unconstitutional in that it "invidiously discriminates against the poor because it makes equality of a child's education a function of the wealth of his parents and neighbors." This decision was based on the provision in the California state constitution that includes education as a basic right of the individual. This seemed to be a clear precedent at the state level that should be heeded by all states with similar school finance structures.

Unfortunately, the clarity of the precedent was obscured at the federal level by *San Antonio Independent School District v. Rodriguez* (1973). The Rodriguez case originated in Texas where the educational dollar is broken down 41 cents from

local sources (property taxes), 50 cents from state sources, and 9 cents from the federal government. Compare this ratio with New Hampshire's 88 cents, 7 cents and 5 cents. In Rodriguez, the Texas tax system was declared void because of its inequitable structure. However, the U.S. Supreme Court overruled the lower court finding and upheld the original system of school financing, declaring that state legislatures have responsibility for reforming public school spending. Because of the lack of reference to education in the federal constitution, the Court refused to accept the equal educational opportunity argument. This brings us back to the state for a redress of the present system. To date, there has been no significant attempt to deal with the equalization problem in New Hampshire.

Calvin Grieder, writing in *Nation's Schools*, concluded that the property tax is a regressive and inequitable method of financing education. He cited the impossibility of objectively evaluating property and concluded that "Assessment tends to favor the most valuable property and to bear heavier on the property of low and medium worth, and hence it is regressive in its effect."

Thus, our present system of financing education is inequitable both in an economic sense due to a regressive tax structure and in an individual sense due to the wide disparity of educational outlays from Portsmouth to Pittsburg. The responsibility for ameliorating this condition lies with the State Legislature.

By comparing statistics we can get an idea of the present financial problems school districts and taxpayers face. But first a few words of explanation:

- 1) All factors cannot be reflected by statistics. For example, the huge pupil growth in Allenstown was caused by the closing of a parochial school that enrolled a large percentage of the student population. In Gilford, the construction of a regional high school increased enrollment in that town, but not the actual number of children living in the town.
- 2) Statistical comparisons are for the years 1972 and 1974. Extrapolations beyond these two-year trends are at your own risk. Tax rates were all computed at full value to permit comparisons.
- 3) Secondary per pupil costs are based on the average of junior and senior high costs where both schools exist.
- 4) Changes of less than 1% are shown as no change.
- 5) Districts that tuition students out to public or private academies, such as Derry Cooperative, are not included in computing statewide averages.

To illustrate some statewide averages, we can establish a composite profile of the average school district for 1974. In such a hypothetical district, 581 pupils were enrolled in the school(s). Chances are only 3 to 1 that the district has a separate junior high school, and 2 to 1 that the child is able to attend high school in his or her own community. Since 1972, the district's student enrollment grew by almost 5%. At the same time, per pupil costs increased much more rapidly — 21.2% in the elementary school and 15.4% in the high school. In dollar terms, the 1972 average cost for elementary pupils was \$665, \$779 for junior high pupils, and \$896 for high school pupils. By 1974, these figures had jumped to \$885, \$967 and

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\$1121, respectively. To pay for these pupils at the increasing levels, our hypothetical town has had to tax its citizens' property. In 1974, the average property tax was \$22.80 per thousand, based on a 100% valuation. The tax base that provides this revenue has a total equalized valuation of \$46,763,000, or \$98,253 equalized valuation per pupil. This is a 53% increase over 1972, when the equalized valuation per pupil was \$64,221. Yet, the property tax itself was down 17% from the 1972 averages. Thus, local tax bases have increased substantially, even faster than per pupil costs. However, tax rates have actually decreased due to the rapid growth of population and industry and the proportionate lack of growth in local and state government.

Another way of looking at the school finance situation is to compare actual towns that are similar in enrollment size but show variance in other factors. For the sake of illustration, I have chosen districts that demonstrate some inequity.

Two small districts of comparable enrollment are New Castle (pop. 975) at the southern end of the state and Wentworth (pop. 376) in Grafton County. In 1972, both towns had 65 students in their elementary schools. Neither town had a junior or senior high school. New Castle students attend Rye Junior High School and Portsmouth Senior High School. Wentworth students travel to either Plymouth Area High School or Woodsville High School.

By 1974, the Wentworth enrollment had grown by 20% to 78 students. In the same two year period, the per pupil costs had gone from \$590 to \$785, an increase of 33%. The equalized valuation per pupil, which represents the tax base available to support the schools, had gone from \$49,655 to \$83,370, an increase of 68%. In other words, Wentworth experienced substantial growth in costs, but the tax base was able to expand at an even greater rate.

In New Castle, the enrollment increased only half as much as Wentworth's. In 1974, New Castle enrolled 72 students, an 11% growth rate. Per pupil costs went from \$1055 to \$1319, an increase of 25% in two years. The equalized valuation per pupil rose from \$141,715 to \$176,905, showing a similar 25% increase. Therefore, New Castle, with a tax base almost three times that of Wentworth, did not experience as fast a growth rate in enrollment and cost. In fact, Wentworth increased per pupil expenditures at a faster rate with a much lower tax base. Significantly, Wentworth's property tax decreased by 37% in this period while New Castle's fell by a lesser 20%.

In the mid-size range, we can look at the towns of Hampton (pop. 8,011) and Newport (pop. 5,899). The two towns enrolled 1430 and 1473 students in 1974, respectively. In this case, both towns lost students in the two year period; Hampton was down 7% and Newport had 3% fewer students. Yet their expenditures took large leaps. In Hampton, elementary per pupil costs were up 38%; secondary costs were up 41%. In Newport, the elementary increase was 26%, and the secondary increase was 23%. But while costs increased sharply, property taxes decreased by 17.5% in Hampton and 8% in Newport. It is evident these tax decreases meet the needs of one party, the property owner, at the expense of the other, the school system.

Finally, the cities are experiencing the same trends. In Con-

cord (pop. 30,022), enrollment dropped by 5% and in Keene (pop. 20,467), by 2%. Again, costs jumped substantially. Elementary costs were up 28% in Concord, secondary costs up 22%. Keene saw elementary costs rise 46%, secondary costs 17%. To meet these rising costs, Concord was more fortunate. The equalized valuation per pupil in Concord rose by 54%, but only by 26% in Keene. Although both cities had to accept large educational cost increases, only one had the resources to support that increase. In the two year period, both cities decreased taxes — Concord by 27% and Keene by 7%.

I believe this level of inequity between communities will require substantial state intervention to ease the local burden and provide more consistent educational opportunities. An income or sales tax is one type of intervention, but a broad-based tax atop the regressive property tax would certainly not bring equity. Any new tax must provide some relief for property owners, perhaps by a revenue sharing-type formula that would return a portion to local communities so their own financial sources can be relieved to some degree. In any case, the primary purpose of a new tax should be to increase the state's share of financing the education of our children. This would reduce the present level of unequal educational opportunity and would help alleviate the wide disparity in tax rates and assessments in New Hampshire.

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we recognize its potential. We observe widespread need, but are aware of obstacles. The development is worldwide and there is knowledge and experience, so there is a basis for hope. Yet the legislative, organizational, professional, and cultural obstacles are substantial. There are still many Americans who think that only the poor, the handicapped, and the disturbed need social services. So there is uncertainty.

The personal social services have come too far to disappear. They are too useful, and sought by too many elements in our society, to be wiped out. But they could grow slowly, serve the well-to-do one way and the poor in another, and remain more fragmented and less effective than they could be. That would be too bad. The personal social services as comprehensive, universal system could gain in effectiveness and thus in their service to the society. They could be integrating elements, forces for social cohesion and even for some resource redistribution. The need is all around, and effective response is within grasp. We are quite close. What are essential now are wisdom, commitment, and serious work.

## Annual Conference

Again this year, on Oct. 18 & 19, the New Hampshire Social Welfare Council will sponsor its annual conference in Heniker, N.H., at New England College.

The theme for this year's conference is "Individual-Family-Community-Nation: 1776-1976."