

Commission to Study School Funding (RSA 193-E:2-e)

Meeting Minutes

June 22, 2pm via Zoom Webinar

Commission Attendance: Bill Ardinger, John Beardmore, David Luneau, Val Zanchuck, Mary Heath, Iris Estabrook, Dick Ames, Chris Dwyer, Mel Myler, Jay Kahn, Corinne Cascadden, Susan Huard, Bill Ardinger Barbara Tremblay, Jane Bergeron-Beaulieu, Rick Ladd, Jon Morgan. Not present: Dave Ryan. Also present: Bruce Mallory, Carrie Portrie, Jordan Hensley, Matt Gerding, Jenn Foor, Drew Atchison. 14 public attendees.

Welcome/Call to order/tech check:

Rep. Luneau welcomed everyone in attendance, called roll, and opened the meeting. Bruce briefly reviewed the group agreements with the commission and guests. David Ryan moved to approve the 6/8 minutes, seconded by Barbara Tremblay. All commission members in attendance voted to approve the minutes.

SWEPT Presentations & Discussion:

Director Gerry and Supervisor Kneuer from the DRA gave a brief presentation on SWEPT, first covering the history and then moving on to SWEPT's mechanics, some historical data, equalized values by category, the largest sources of education funding revenue, and school district revenues and appropriations.

Dave – with changes in rate, does 2004 refer to the calendar or fiscal year? How does the timing work? Director Gerry – law specifies the effective time, but for instance the change to \$363 million it was effective July 1, 2005. Mostly based on FY. Discussion continued around methods used by DRA to determine assessed valuation and SWEPT costs. New rates are given to towns between mid-October and December. Corinne – if there is less SWEPT difference is made up in adequacy? Director Gerry – it could be, but mostly made up through with local property taxes. SWEPT name change was partly due to misconception that monies are redistributed – they are not. Money never goes to the state. Conversation about SWEPT and what happens if money is less than or more than what is designated by the state as adequate. Dick – does DRA track in any way what happens to excess SWEPT dollars? Director Gerry/Supervisor Kneuer – no, DRA does not track that. They only handle the raising funds side – know when it happens but nothing further. That excess money stays with the town. Dave – is it true that excess SWEPT is required to be used for education? Bruce Kneuer – all they know is that the warrant goes to the municipality to raise a certain amount of dollars, but afterwards there is no further awareness. Destined for schools, though. Dick – At outset of SWEPT some thought was given to collection at the state level. Are you aware of any analysis of what would be involved with the state not only calculating the tax levy/overseeing valuation but also if the state were to collect/administer the money at that level? Dir. Gerry – to best of my knowledge, no analysis done on that. DRA's role is to ensure fair assessments across the state and standardize processes. State COULD collect and distribute money, but past that no analysis

known. Sup. Kneuer – can see what this might look like via current utilities tax. That is how it was administered in 1999 at beginning. Chris – if similar system were to continue, what improvements might help make things fairer? Dir. Gerry – not sure a lot of improvements in valuation need to be made, feel comfortable in how they are valuing. More a matter of the legislature’s priorities and whether they are taxing commercial properties differently than residential, for instance, which could be done. DRA wants to make sure a hardware store in Manchester is valued the same as one in Berlin, for example. Chris – are you saying that we lack the opportunity to know about fair valuation? Dir. Gerry – I believe they are valued fairly. Rick – excess SWEPT kept by communities: does it have to go toward “adequacy”, or can it go to other educational purposes? Are there any criteria in SWEPT? Answer – no. Concept went away when money was kept in local district. John – I think the idea of the state collecting SWEPT so as to somehow address the excess/donor issue would be an incredible expenditure of state tax dollars for little to no benefit – as long as state/DRA calculate and apportion informed taxpayers could work around that. A more interesting conversation would be around having the state collect all property taxes. Otherwise an incredible duplication of effort for little/no benefit. Could state collecting all taxes increase uniformity of valuation across state? Probably because right now it is done by a handful of independent groups. A couple hundred utility payers, with just a couple paying a lot of it. Don’t think that considering the state collecting SWEPT directly would be efficient. Dir. Gerry – how it works now is that DRA sends tax rates out, municipality writes checks to school and county. John – would take lot of employees to administer a property tax in that way.

Michael Kane from the LBA then discussed SWEPT as a component of adequate education funding and changes in ADM and costs over time. He also discussed SWEPT’s different ability to raise funds for different towns. Dave – would it be fair to say these stark per-pupil differences in SWEPT are just fundamental to a property tax or is this more NH specific? Michael – would say it is endemic to any property tax. Bill – when you distribute tax base, whatever it is, you always have differentials in how the base is set in different communities. Not associated with rate setting but the original fundamental grant to each group. The education property tax is accounted and treated as a state revenue/appropriation despite being administered locally. Treated in accounting as flowing “out” from education trust fund/state, correct? Michael – that is accurate. Even though state is not seeing money, it is on state books. Bill – legally and accounting-wise “SWEPT” is a state tax. Michael – that is correct, can cause confusion in legislature. Counted as part of total state aid.

Discussion had on how SWEPT came to be from a state collected tax to more locally focused, donor towns, changes in funding in 2011, stabilization grants, and hold harmless provisions added in. Noted that excess SWEPT value is around 25-28 million dollars.

Next Fred Bramante, former state school board chair. Presented on history of education funding pre-SWEPT, history of state property taxes, how SWEPT came to be, Fred’s role in creating a statewide property tax, and constitutional considerations. Dave – considering uniformity, proportionality, etc – thought there was a decision around a proportional rate tied

with adequacy. Is that correct? Fred – yes, collection needs to be uniform, just like one meals and tax rate, one cigarette rate, etc. Mel – you had previously indicated that with a single statewide tax it could save money locally. How would that work? Fred – basically spatial reasoning, as value in NH continue to rise, same rate could raise more money. Biggest tax pain in NH is the property tax. Some communities in the state are not sharing the burden of the state portion of the responsibility for education currently. States should have to pay for state mandates. Current plan does not meet constitutional muster. Bruce Kneuer noted that “At 9% the "SWEPT" would have grown from \$363MM in 2005 to about \$1.2B in 2019.” Bill – to what extent does Claremont constrain spending as well as revenue generation? Fred – made the mistake previously of thinking both were constrained, but now believes that state revenues and taxes must be proportional, but distribution not constrained in the same way. State has various ways of meeting its obligation to support municipalities.

Review of draft Commission interim/progress report:

Postponed. Bruce will solicit comments on the draft from the commission via email.

Public Comment:

Jeff McLynch, Project Director for the NH School Fairness Funding Project: Encouraged to see commission examining statewide property tax in depth and glad they will continue. Legislation creating commission charged commission to consider uniform funding rate (also discussed in Claremont court cases). That is not the case today. Comparison of Claremont vs Hanover. Lack of uniformity impedes economic development, hinders young families moving into NH. Urge commission to continue to look at funding sources, note that there is an amendment to NH constitution that allows for differential rates for different properties. Property taxes could be paired with a circuit breaker or other mechanism.

Doug Hall, member of the board of directors, NH School Funding Fairness Project: Fred Bramante mentioned 1919, also property taxes for education predates the state of NH. Wrote a history of school funding in NH about 15 years ago, will share with commission.

Scheduling/Calendar:

Next several weeks of meetings being scheduled – will be sent out to commission and public as soon as possible.

Documents:

- Agenda 6/22
- Minutes 6/8
- DRA Slides
- FY13/FY21 SWEPT Revenue

Direct public comments to Commission to Chair David Luneau at schoolfunding.commission@unh.edu