

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

Meeting Minutes
July 27, 2020, 1-4:30 pm

Website: <https://carsey.unh.edu/school-funding>
<http://www.gencourt.state.nh.us/statstudcomm/committees/1506/>

Commission Attendance: Dave Luneau, Dick Ames, Rick Ladd, Corinne Cascadden, Jane Bergeron-Beaulieu, Val Zanchuck, Barbara Tremblay, Chris Dwyer, Bill Ardinger, Iris Estabrook, Mel Myler, Mary Heath, Jay Kahn, Susan Huard, Jon Morgan; Absent: John Beardmore, David Ryan. Also Present: Bruce Mallory, Carrie Portrie, Jordan Hensley, Drew Atchison, Matthew Gerding; 13 attendees from the public listening.

Welcome/Call to order/Tech check/Chair's comments:

Just after 1pm, Dave Luneau called the meeting to order. Dave noted that the Commission has reached out to Alice Peisch at the Massachusetts legislature, who cannot meet with the Commission in the next few weeks but will work to join the Commission in September. Dave also mentioned a call with Duke Albanese of the Great Schools Partnership, and the hope that the commission will be able to meet with the full commission later as well. Bruce Mallory reviewed the group agreements in advance of today's extended discussion session.

The July 20 minutes were approved by a yes vote of all Commission members present.

Bruce Mallory also noted efforts to reach out and hear from the Alliance for Charter Schools and that the commission will be scheduling a time for input from Charter School advocate Matt Sutherland in the near future. Iris asked if we planned to bring in those with different viewpoints on charter schools, Bruce noted that there was openness to that but currently there are no other charter school-specific presentations planned. He noted that suggestions are welcome.

Work Group Reports:

Following the introductory component of the meeting, each of the Work Groups presented to help commission members understand how the work between groups is aligning. Dave noted that these updates are works in process, and encouraged members to let presenters know if there were major pieces missing. The draft memos can be found on the [Commission's website meeting documents page](#).

Jay Kahn first presented about the adequacy work group, noting the group's five objectives, efforts to define adequacy and to compile the state's education statutes, potential changes to RSA 193, the constitutional context of adequacy, and the work group's efforts to examine base adequacy/disparity aid, other disparities, pre-k, special education, capital projects, and public charter schools.

Next, Dave presented on the fiscal policy work group's efforts, including findings about the local education property tax, how state foundation aid has changed, core principles the fiscal policy work group used to guide its work, the need for an update to the low/moderate income property tax relief program, how statewide property valuation works and its fairness, how land use is a statewide policy, how the work group examined the 2000 Shaheen report around education tax policy, the fact that the statewide property tax is a STATE tax, how state adequacy must be paid with state funds, and how fiscal policy aligns with adequacy. He also noted questions that will help guide the fiscal policy work group moving forward and the goals the fiscal policy group will consider moving forward. Rick noted that inequities in income has a relationship with ability to raise property taxes, that local property taxes vary greatly from \$24 to \$.30, and that decline in enrollment has led to increase in costs. He agreed that SWEPT is a state tax, and noted that towns retaining excess SWEPT should be examined. Dick noted again that the excess SWEPT issue is very important and mentioned that the constitutional requirement

for the state to pay for adequacy completely was in a context where local municipalities had to pay significant amounts for education themselves, and that the Massachusetts context is important to understand and could be explored further. Dave noted that Jordan would fold into the memo report. Chris mentioned that the way the state of NH values commercial property in a way that has some inaccuracies that move cost toward residential properties, and the possibility that the state might help local communities value commercial property by requiring a more accurate assessment of commercial property values. Dave asked if Jenn would pull up some past efforts on that subject.

Finally, Mel Myler described the work of the engagement work group. Mel noted the work group's major tasks around identifying stakeholders, getting input, and summarizing key findings from those input efforts. He noted activities completed, including stakeholder meetings, online focus groups, public comment sessions, and a school and district employee survey. Next steps will include a student voice engagement effort, 10 questions in the Granite State Poll, conduct statewide virtual convenings, and additional focus groups and emphasis on reaching out to older adults.

Bruce noted the volume of work that has been done overall, and how the Commission is beginning to move from a factfinding mode to beginning to craft recommendations based on what the Commission has found.

Design Thinking Fishbowl Discussion:

Bruce began by framing the discussion portion of the meeting, noting that Dave, Jay, and Mel would be listeners rather than participants in the initial portion of the discussion. The discussion involved a "fishbowl" style conversation, with the round one group comprised of Dick, Jon, Jane, Iris, Barbara, and Chris.

Round 1

- 1) What are the core elements of the problem?
- 2) What constituent groups are most impacted by the problem, and how does that impact vary by group?
- 3) Why haven't previous efforts at solutions worked or been sustained?

Barbara: the whole idea of an adequate education or opportunity, what does that mean? We have RSA 193 and those elements. Even if we go for a larger definition, have to keep that in mind. Next item is having an equitable opportunity for all of our students. Currently lacking. That goes along with costs and distribution of funds – is that from state taxes, property tax, or something that we might come up with working with AIR and others or from a historical perspective? The distribution and cost are very important, as is how this all works together – we went through the three reports today and need to think about costs factors and equitable opportunities looking across all districts and how varied they are. Lucky to have been a superintendent in two districts that were different – how can we be more equitable across districts whether part of an SAU or not, and how can we be more equitable across the state? As for constituent groups, always start with students and their need for equitable opportunities. They are most directly impacted. Then staff, all areas, and then communities and taxpayers and how they are affected by and part of school system, and then out to the state. Overall, students always first. As far as previous efforts – many things have been tried, including much work by Iris – concerned about the political aspect and this commission has been very careful in addressing that.

Chris: Starting with the third question – ability of taxpayers to pay hasn't been addressed, inflation hasn't been taken into account, the weights for special populations weren't empirical and outcomes weren't taken into account. High cost differentials like transportation and small school districts have not been part of targeted aid. The way a statewide requirement is put into place masks the problem and confuses the public – people don't understand SWEPT and that has masked a solution. On #2 – all about students in small districts, ELL, those living in areas with high concentrations of need, and also for residential property owners. On #1 – high property taxes and schools being the biggest component of cost have created serious divisions of new against old, young vs old, and obfuscates solutions. A different slice is that there has not been incentives for reaching economies of scale which raises costs and compounds other problems. We have no meaningful relief for low income homeowners and insufficient allocation of resources for concentration of need which hurts even current targeted aid.

Dick: Feel enriched and humbled by being part of this panel. Starting with #1 – defining adequacy, don't think as big a problem as it may seem, have been learning about that. Is all there, we can make judgements about it, but don't need much more, maybe some tweaking. Costing out adequacy properly is this group's major task. One of the reasons that there has been failure to resolve this issue is that a temptation to dumb down the cost to where you can pay with state money, which is a perilous course – trying to defend a formula that is very difficult to defend (ex: ConVal). Keeping our eye on the ball and costing adequacy key, we have others helping us. That has to be a credible outcome – will support that but not attempts to reach a preset number. That still leaves paying for it, and the scary part of defining adequacy in a credible way is that it raises the cost beyond what is in statute today. There will be a gap there, and I don't have an answer. That is why I have suggested looking to Massachusetts, who look to localities for a mandatory minimum local contribution, which is really the inverse of SWEPT. Through an effort in building to that they have gotten significant buy in and feedback from localities, which is good. There is a way of getting to a point where it is constitutional in New Hampshire. Have said that a few times. In terms of constituents, have lots of constituents from many walks of life and I am trying to please them all. They will support if we get to a good result. Hope we all can feel that way. If I lived in Manchester, I would not feel that the current system is supporting my kids, especially in relation to need. If there is any place in NH where education is below adequacy (not counting funding) Manchester rises to the very top of that, particularly for low income and minority students.

Iris: #1 – core element is the educational disparities around the state and how we can change those through costing and distribution. Funding and court rulings – particularly Londonderry, how to deal with that. Then revenue restrictions. #3 – all about the money. All of the changes that have been made to what had been adopted were not made to improve education, they were made to save money. Appreciate that Barbara put out there that this is all political – spending and raising of money is all political. Don't know how you get around the general unwillingness I have seen to raise money for education or decrease spending for “my particular district(s)”. One reason stabilization has lasted so long – don't want to live with the consequences of action. Not because we don't understand the problem. #2 – clearly kids, teachers too, especially in schools with limited opportunities. Loved how Jay had us think about this as a difference of opportunity. Varies by and within groups. There are all kinds of constituent groups – school boards, taxpayers. Love to see where we go from here.

Jane: my notes echo many of the others in #1 – first thing that comes to mind is the definition of adequacy and making sure it represents the diverse needs of our communities in NH. The disparity and inequities for our educational communities and the need to make sure all students have opportunities

to learn. Agree with Iris – need to shift thinking about the importance of funding education, how to do that? #2 – students, especially those in marginalized groups (low income, disabilities, ELL, who don't have equal opportunities across the state, students with mental health challenges, early childhood). #3 – Agree that it is the ability of residents to pay – property taxes are high, aging population, rising costs (particularly of special education) and diminished state and federal funding has created problems.

Bruce asked the group to reflect on what they just heard. What struck you?

Chris – I know there is a sense that there isn't the will out there...on the other hand, averages show that \$19k/pupil is being raised in NH. Not distributed equally, but there is SOME will clearly to raise money. Whether will is all at the local level and not at the state level is a different question, but plenty of pockets of the state where people have put money up. Shows that this may not be an intractable problem as parts of the state were supporting education.

Iris – donor towns were not happy, so there is some question around redistribution.

Dick – two things: one, a word I hadn't heard is accountability. Any system we go forward with has to have accountability provisions, whatever that means. Two, I don't feel this is unsolvable. It is a very difficult problem politically and structurally but we have a good serious group here and (joking) lots of time. Can take a step in the right direction.

Round 2

This group is comprised of Rick, Bill, Corinne, Susan, Val, Mary

- 1) What components of the problem are most malleable, easiest to address?
- 2) What components are the most complex, most difficult to address?
- 3) What components are the most intractable?

Mary - #1 – have really worked on defining the issue, have to look at how state tax can be used differently. Has its issues but could be an avenue. We know that there is enthusiasm across the state to increase manner in which we fund schools, accountability, and the degree to which we support that effort. Both sides want to do it, but HOW is the harder part. #2 – politics gets in the way. No one is willing to talk about different forms of revenue. I worry right now about our conversation and taking it to a place of “that commission wants to raise taxes” which becomes a political football. A lot of things have been built into the law with hidden costs like charter schools or special education. Those costs are significant, and every time a bill is passed requiring another program raises costs. Have to look at statutes that raise costs for local school districts. The overall challenge of revenues this year, and possibility of something like a capital gains tax, which would be local and fair – people don't want to consider. Stuck in a world of inability to consider something different, but at the same time have school districts and children who are achieving an exceptional level of education and other places like Manchester with mixed political support. #3 – really need to change what we are doing. Current system so unfair. Look at Berlin. What they are doing in MA where ability to pay comes into account makes more sense. Paying \$19k/student across the state, but that is an average, Manchester is lower at \$14k/student, but other places over \$20k. Have to make more fair.

Rick - #1 – some of the easier components include getting rid of hold harmless/stabilization (rec from 2018). Another is increasing base adequacy for all students, increase for FRPL students. All recognize that if we are going to stay in same format going to have to take a stiff look at all elements, and is elementary 30:1 ratio relevant or others in upper grades – lowering by 5 students/class would cost \$60mil+. Can weight based on characteristics, a good way out. #2 – most complex issue is no clear definition of adequacy. I am a real advocate that we cannot make a laundry list of subjects. Want to be able to have flexible pathways for learning and career readiness. Want to have kids apply learning. A very complex issue to address. We are so used to looking at funding per capita, but with declining enrollments that gets harder. Should we do it programmatically? Issue of local control. Being in the legislature, nothing is easy, it's all political. There are a lot of political actions occurring where people are not necessarily doing what they believe in. Have to listen to our residents. #3 – funding special education, FRPL, etc – know how to do that. But we have an organizational structure for education in this state where there is zero funding for SAUs and expectations that are the same for both big and small districts. A huge problem that this commission may not be able to fix.

Susan - #1 – formulas that count things. If we put things into those formulas like nurses that are not currently there, that would help greatly. Want to improve outcomes as well – think that we can address that under some of the suggested formulas. #2 – about poverty, parity, and opportunity. Have economic unevenness across towns and it plays out in schools. This is bigger than schools – involves workforce development for adults. Special education – see how the Manchester school district is crushed under the expense of special education. Still will be a big problem for Manchester and any number of districts. Workforce readiness and CTE. If I look at what is our opportunity to help each child succeed – sometimes it is special education, sometimes career readiness, sometimes other, can't look at that right now. #3 – local control and economic conditions. School's (in)abilities to solve problems for kids is the big challenge – not everything is about money. Have to find ways to effectively educate.

Val - #1: All the components can be addressed in a compelling narrative. Have gotten into the weeds but when we go back out to the world and community we need to tie this together, without getting into details, that we can get agreement and awareness of a problem narrative where people can say yes that makes sense. We realize that there are many components and specific issues, but need a story that pulls it together that can bring coalescence. Everyone has specific issues with localities, but we should be talking about the state's compelling interest in solving this problem, especially from the employer's perspective how education inequities move on to workforce inequities. A waste of student's lives that we are not preparing them equally for the workforce. Businesses are aching for qualified employees, and they see that some places are turning out prepared employees and some are not. You should be able to create a local workforce. #2 – the ones that tie educational equity to tax equity. Trying to bring those two together. #3 – local control. A tremendous conflict between the perception of local control and the costs, but costs come from local control. To solve this as a state needs to be more perception of a statewide solution. Need to get people to think of themselves as citizens of NH, not just their town. Have to get people to think about the needs of the state, and if you broaden that it will help smooth out tax issues. Good intentions get diluted over the years and chipping away at ideas, and politically viable ideas don't solve the problem.

Corrinne: #1 – hate getting stuck in the weeds. Can we keep what's working (disparity aid) and get rid of what isn't (too low base adequacy). Really don't understand how costing adequate education is missing out the minimum standards required by schools since those are mandatory. #2 – legislative support and

non full support of education. Facility upgrades, special education and early childhood. Know that college and career readiness is new, but have to measure that as an outcome. Discovered that with regional CTE centers different districts have different requirements. #3 – political climate. If the results of this commission could be moved in the direction that education is the #1 investment in the future – you have to invest money to reap a benefit. If state wants students to stay, have to invest in them. Vermont model could be something to look toward. Whole problem is the burden on the local property taxpayers. In California they changed a term – instead of at risk to at promise students – and providing supports to students who have promise. Social-emotional issues have exploded but aren't providing funding and support to help those students be successful. Need a revenue source. Lots of smart people that can determine an adequate education. State and federal government not funding special education to the degree that they have promised, something to be made worse post-COVID. Revenue!

Bill – Lucky to have conducted a deeper dive into school policy than other efforts in some ways (AIR in particular). NH has one of the highest quality public school systems in the US, top 10 highest per pupil spending, but one of the bottom five states in terms of distributions to poorer towns and lowest state financing percentage. (showed Figure 10 from adequacy and fairness of state school finance systems presentation). Core problem – unfair distribution. But can't fix the things that are good about our system. Other issues include how to provide targeted property tax relief. Kids in less resourced communities most important. Political considerations the principal obstacle, as are perceptions of a mandated regressive distribution formula, and interest groups.

Rick – local control will be a key issue. Statute says local and state have a shared responsibility, but that is not how it works. Does the state need to have more accountability for outcomes?

Mary – We have catastrophic aid for special education that comes in the year following the costs. Have to figure out a better way to do special education. That area deserves a lot of input and conversation when we get to funding adequacy.

Bill – So many issues in public education that we as a commission have to focus like a laser on what we will achieve. If we don't send more money to needier districts something is wrong. It is a moral justice issue. Have to focus on formula.

Corinne – Mary brought up funding for nonpublic schools and special education funds that districts have to pay to charters. Should be supporting public schools for public dollars.

Mary – notes that all charters in NH are public.

Rick – want to reinforce what Val said. We have some students who come to work with a 5th grade level of math and they are not employable. Dissolving the economy in many places.

Full Group

Mel – I heard consistently that we need to address those most needy students and districts. How we define the costing formula, have heard that throughout. Everything is not equal and have to be able to deal with areas where there is disparity and act accordingly. When we talked with Duke – equity, adequacy, and predictability were the most important things. Those are things that we in the last couple hours have been addressing. Need to be able to answer “so what”. Taken by Val's comment for a

compelling narrative. I have been very concerned about how we move from “my kids” to “our kids” and recognize that everyone has a stake, tap into the need for reform. Have to define the reform and umbrella within which the context gets defined (and how to fund). We should look at various funding sources and say what the impact of various taxes would have on property taxes. Lay out the whole panoply of options. Hearing the need to understand that all things are not equal in adequate education.

Jay – I think we need to allow the AIR process to inform us of the inequities that exist along the lines of density or rurality, English language barriers, free and reduced lunch, etc. These are disparities that are going to show up and from that, that can inform our adequacy definition. If we are going to buy in to a distribution formula that is trying to address these obvious demographic disparities, then we ought to adjust an adequacy definition to cover those. I feel confident on that score. I feel less confident on our outcome measures conversation. We may want to tee up a presentation around performance and outcome assessment. We have language saying that every 4 years the commissioner of education has to report to legislators on that. People are looking for connectedness to career and college readiness, which is a perspective that takes years to develop. Don’t know if we’ll get that information within our study, but would be interested if engagement with CTE is related to ease of access. Want to understand structural disparities, which might not be fixed with formula changes. Also going to college is one thing, but persistence and completion is another. Concerned about our ability to measure and should work to eliminate disparities. Regarding local effort – what does it need to be in order to provide some equity, especially given that state distribution is trying to lead to performance, not only tax reduction locally.

Dave – I’ll support just about anything that delivers equitable access to the opportunity for an adequate education and does so through equitable taxation. I heard a lot of positive comments this afternoon that made me feel good about us being able to get to a point of that. Heard comments like “dollars already being raised” and “will to do it” even in an inequitable tax environment. Some communities have the will but are beyond the breaking point in terms of taxes. Heard comments about not being pessimistic and that this is a solvable problem. If there are credible numbers there will be support. That is all positive that this commission will help the legislature enact meaningful change in education funding. Also heard a lot of thinking reflecting on what Mel had said – going from my kids to our kids. May be tough to change some people’s minds but people recognize that we are all citizens of NH. Looking at universal statewide goals for education. Really liked the phrase “lets not break what’s good” and there is a lot going well with NH schools. Taxpayers have put their money where their mouth is, and national data reflects that. Just not every school and every district.

Bill – following Dave’s points there are two parts. One is the distribution formula that tries to get more dollars to districts in need. A good formula does both – reduces burden on the local taxpayer. Doesn’t even get to issues of which tax to use or equity within towns, but a good formula does both. Driving more state aid dollars into needy communities the way to do both.

Iris – would clarify about charters. All called public schools but some are governed privately, which in my mind makes them non public.

Chris – Supporter of public education but they are all our kids. If we are looking to well being of all kids have to think about that especially as it related to students with special needs.

Rick – reflecting on the 2018 task force report. “The first is what we think of as traditional public schools, the other is charter schools.” Will get into a quagmire if we get into charters – need to fix adequacy formula for regular public schools first.

Dave – there are some complexities to explore, although charter funding is currently fairly straightforward. Charter school support comes from education trust fund and is governed in similar education statutes.

Jay – Some interesting legislative options suggested. Dropping the hold harmless ideas as a barrier and retaining at least some portion of SWEPT at the state level. AIR’s evidence in policy papers, while not national, every place they brought to our attention all started their redistribution efforts on assuming that dollars would flow to a state for distribution. Can do via formula or a collection but not having the ability to collect the excess is a barrier. On Bill’s stats the 31% is the telling number, since it is the lowest in the nation. Explains in itself why property tax burdens are so dramatic.

Mel – several people mentioned property tax relief mechanisms. Need to have more robust opportunities for tax relief for those with low or fixed incomes.

Dave – absolutely and need to make a distinction on reliance on property taxes – distinction between STATE property tax and LOCAL property tax. The effective concept behind a state property tax is a tax equity element, while the local property tax ranges from 30 cents to 30 dollars per thousand. Variability very wide in NH.

Chris – speaking of small numbers of children, the rapid loss of population in the k-12 space creates opportunities and challenges – challenges for the fixed costs but looking at distribution are looking at fewer numbers of kids in the state and so the amount of money that can be raised overall could create some opportunity.

AIR Response Conversation:

Drew – discussion has been great and I think you are all right on track ID’ing big issues in the state and thinking about things in a comprehensive and thoughtful way. In terms of AIR’s work moving forward, we will be presenting preliminary results on August 10 (hopefully quite close to final). Will be presenting the main results we are expecting in three buckets – equity (distribution of revenue, existing spending across districts, and tax equity and rates across state); distribution of outcomes (with respect to demographic factors and student needs) using assessment data, attendance rates, and graduation rates; and costs (combination of distributional and outcome aspects together), looking at what is the cost necessary to achieve a given outcome in the state and how much is costs each district in the state to achieve a common level of outcome. From those cost estimates, AIR creates a simpler model analogous to a weighted funding model. This weighted student formula will get close to those costs. Shortly after the presentation AIR will share a tool that is an excel spreadsheet that comes preset with weights mentioned that shows how distribution of costs would be distributed across each of NH’s districts. Model simulator will give the option to change weights and assumptions. Revenue will also be modeled to show what level of funding would be raised by district given potential revenue amount options under various assumptions. By the end of the month will have a full report with all of that information presented and text to go along with that.

Dick – you mentioned developing costs by district. Will they also be developed by municipality? Drew – just district level data at this point. Dick – so much of what we do is a municipal formulation in terms of sorting adequacy aid and tax obligations, so will need to think about how we transfer from a district to a municipal number. Cooperative districts or municipality part of two districts. Drew – it certainly adds a layer of complexity, but given the data being mostly at the district level will be difficult for AIR to model at the municipal level. District level modeling will get you 99% of the way there. The characteristics we are looking at could be applied at the municipal level, and would have to apply the district size to municipality. May be transferable.

Bill – we may want to recommend as a commission how to reconcile the district-municipality difference issue.

Jay – Fiscal committee should see what kind of crosswalk is possible. Dave – agree, will have to look carefully at that.

Public Comments:

John Tobin – the models that AIR is talking about sounds wonderful. Hopes that when you see how revenue is raised and allocated, please look at what the local tax rates will be at the end of the model. So if you are targeting for a portion of adequacy, what will the local districts be asked to pay and what will their tax rates be? Does the model solve the tax rate problem?

Adjourn

Dave thanked the Commission and adjourned the meeting.

Documents

- 7/27 Agenda
- 7/20 Minutes
- Discussion Framing Design Thinking Draft Document
- Fiscal Policy Workgroup Draft Memo
- Adequacy Workgroup Draft Memo
- Engagement Workgroup Draft Memo