

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

Meeting Minutes  
August 24, 2020, 2-4 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, Jane Bergeron-Beaulieu, Val Zanchuck, Chris Dwyer, Corinne Cascadden, Bill Ardinger, Iris Estabrook, Mel Myler, Mary Heath, Jay Kahn, Susan Huard, Jon Morgan, John Beardmore; Absent: Barbara Tremblay, David Ryan. Also Present: Bruce Mallory, Carrie Portrie, Jordan Hensley, Drew Atchison, Jesse Levin, Bruce Baker, Jenn Foor; 17 attendees from the public listening.

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

Just after 2pm, Dave Luneau called the meeting to order. Dave noted that a key finding is that the current school funding system in NH is inequitable for both students and taxpayers. He also mentioned that as the Commission moves into the second phase of its work it is important to remember that the AIR work is not the same as the Commission making recommendations – the group is not yet at that point. Dave affirmed the importance of this Commission's work, but reminded the group that any final plan is ultimately up to the legislature and governor – we want the work of this Commission to be useful to all policymakers of any party.

Rick noted that differential tax rates by property tax classification is an important place for the Commission to go. Dave agreed, noted some previous conversation by the fiscal policy work group, and affirmed that this is part of the Commission's work moving forward. Mel noted again that the Commission is not yet at decision points, and emphasized his view that it is very important for the Commission to look through all possible options and keep an open mind until the time comes to decide on recommendations. Jay thanked AIR for their work in laying out multiple scenarios. Dave reminded the Commission that design thinking is not easy, and thanked the Commission members for continued efforts on this. John Beardmore noted that he perceives a multi-pronged embrace of income and sales taxes in a way untethered to the work so far. Noted that he has raised this issue before and feels admonished for not having an open mind, but given where the Commission is in the process felt that it was out of the blue to talk about income tax issues without engaging in a broader inventory of revenue alternative questions. He also noted that questions on the Granite State Poll included questions about sales and income taxes, which is not necessarily supported by the Commission's lack of decisions about whether new revenue is needed or not. Dave noted the compressed work path for the Commission and how in some cases the work group's efforts are being done without knowing final recommendations from the other work groups.

**Review of Public engagement Plans in Sept/Oct:**

The Commission moved to an [overview](#) of the Engagement Work Group's plans for the fall. Mel highlighted engagement opportunities in particular for students, older residents, taxpayers, and legislators. Bruce highlighted that biweekly public comment periods will continue starting 9/16. Carrie noted in particular student voice sessions on 9/23 and 10/7. Mel also emphasized how transparent we want the process to be, with notes and video available. Bruce noted that the engagement work has expanded due to pandemic and the need to hear from as many people as possible. Rick asked about reaching out to retiring legislators, which Mel and Carrie agreed was a good idea.

**AIR Key Findings – Round 2/Simulator Tool Review:**

AIR presented the second half of their presentation regarding their funding model and the potential options they mapped out. The full presentation video and [slides](#) can be found online at the [Carsey-Commission website](#).

Bill – important to note that simulated formula funding presented is based on previous work AIR has shown to the Commission to get to an opportunity for equitable outcome quality across the state. Simulated funding from AIR takes into account differential need, yes?

Drew – yes, simulated funding formula is based on AIR’s education funding cost model and weights developed. Weights are calibrated to give each district the opportunity to achieve a particular outcome level.

Bill – You indicate that total state share with a minimum local contribution would be about 65%. In MA, the total state spending is just 38%. What is the difference between this simulation with high state spending than MA?

Drew – easy to change assumptions in the simulator tool. Able to change to any particular number to test out various options – as you increase minimum local contributions the state share will decrease. As you increase the minimum local contribution you will find more districts where the entire simulated level of funding is covered by the local minimum portion.

Dave – is minimum local contribution considered state or local dollars? Drew – local dollars.

Iris – does the state have the authority to mandate a minimum local education tax? Having trouble understanding the difference between that and state raising the tax. Is the simulator constructed to allow for consideration of circuit breakers or other modifications to the statewide property tax?

Drew – there is not a whole lot conceptually different between a statewide property tax or local tax. One key difference is that if you consider a local contribution, as you raise it more districts can raise their entire simulated dollars via the local contribution. As for constitutionality, that is for Commission to decide. For the second point – admittedly this is a simple scenario and there is a lot of information that AIR does not have in terms of resident’s income and things like that. Limited on the revenue side. Hopefully provides a flavor of the possibilities, and there are certainly considerations the Commission will need to make. This does not capture all the revenue complexities.

Dave – to the point about circuit breakers – we heard from DRA that will be difficult to simulate, because it is harder to connect all the data, but it is an important part of the Commission’s work over the next three months.

Val – On the minimum local contribution, am I correct in assuming that as it goes up the mechanism becomes less progressive/more regressive?

Drew – two sides of the coin. One is the formula funding side (the amount districts should receive). Formula side is fixed. On the revenue side there are taxpayer equity issues and you are correct that the further you raise the minimum local education tax there are slight inequities introduced because there are districts that can raise more than enough via only the minimum local contribution.

Val – could simulate difference between current funding system and the model, and show how the difference in regressively would change. Would think there would be some optimization mechanism to put in place. Drew – it is going to be a sliding scale, don’t know if there is optimization. Going to come down to how much the state thinks it can impose in a statewide property tax. In an extreme example, if you set the minimum local contribution to \$30, every state could raise enough but then would end up with de facto tax rates that vary.

Bruce Baker – there is a solver tool in excel to minimize differences in values. Drew makes an important point that there may be a significant difference between the mathematical and political optimization.

Bill – simulated formula spending is about distribution, not the tax issue, correct?

Bruce Baker – correct. Simulated funding levels are based on AIR’s empirical work on costs to achieve similar outcomes in every district regardless of characteristics.

Chris – building on this. This is just a step in the process because it’s regression to the mean of outcomes – this is set to average outcomes. There’s no reason for us to think that Portsmouth or Wolfeboro don’t want to have higher achievement. Worry about getting fixated on this because it gets to state average outcomes, it reduces the bar for some districts relative to the average yes?

Bruce – yes, the model is calibrated to average NH outcomes. The current model is a starting point to move the distribution, but could be recalibrated to different outcomes levels if desired.

Dave – would it be fair to say that if you wanted different outcomes/Portsmouth-level outcomes we would bring up to Portsmouth’s current expense?

Jesse – the simulator has that functionality built in. The sobering conversation is, how much do you want to pay to increase outcomes? Simulator can give those costs. Context in many other states is that they have to spend much more to even get to basic adequacy, but in NH already spending a high amount but not distributed in a way that allows for equity in achievement.

Drew – last point I want to make is that there is nothing here that prohibits Portsmouth from getting to their current level of spending, but would need to do so through local taxes.

Jay – One thing that is clear to me is that these are costs driven to the mean (in the first column of slide 4). In 2008 until the state put a dollar cap on the total amount raised in SWEPT, what was the original rate? Dave - \$6.60. Jay – for all other rates started at \$6.60, could set the model wherever. The simulator will allow us to adjust these amounts for either holding total spending constant or setting a state tax rate, can play with those variables.

Mel – the first two columns (slide 4) – these are based upon the weights AIR has calculated? Drew – yes.

Bill – so the cost model is really an outcome model? You’re valuing those differences using various weightings.

Drew – the cost model includes outcomes but allows us to hold outcomes constant. That allows us to see differences in funding across districts, which, once you hold outcomes constant, are due to other characteristics discussed previously.

Bruce Baker – we can base the calculations on the average, or set outcomes up, and then show tax policy implications of hitting those different targets.

Jesse – Our cost function model is the cost of producing outcomes. Not the costs of specific inputs, but costs of outcomes conditional on the needs of districts. A cost-function model.

Val – so Wolfeboro would be raising more here and getting less funding?

Dave – This tees up the conversations we want to have around a mandatory minimum and policies related, and whether that is something the Commission wants to recommend

Bill – NH in the past has used an input formula previously. Conceptually this is all very different, equalizing outcomes, this is important. If we were to adopt this, would have to define adequacy via outcomes, which is very different than how NH has conceived that previously.

Dave – Our current funding model based on inputs is what the courts said we don’t have to do that way, don’t have to have horizontal resource replication. This is a very different way of looking at expenditure costing.

Jay – want to clarify, adequacy has spent no time developing a cost-based models but have been working to understand the cost-based models that exist. Haven’t developed own model because of contract with AIR. Adequate education in current statutes uses some outcome measures, the same that AIR uses, including testing, graduation rates, and attendance. Still on the table other categorical aid items like special education, CTE transportation, assistance to charters, etc – outside of the adequacy formula but still in the dollars raised for education in NH.

Dick – observe that the AIR formula, education costing part of it, is dependent on the use of three measures of outcome, and that is because it is what exists. There aren’t other good measures that are

sufficiently credible/usable to rest a formula on. This has been tested against larger multi-state indicators. But larger task for adequacy work group is to dig into this and whether this Commission is comfortable resting on those outcomes as well.

Dave – this is a work in progress, in particular with the simulator, and it is going to be important that the adequacy work group take a careful look at the more complicated scenarios out there like Hanover-Norwich, Pinkerton Academy, co-ops, etc.

Drew first shared a documentation sheet for the simulator. Helpful for what is in the simulator and how it exists. Drew then shared the simulator and presented how it works, video of which can be found at roughly the 95 minute mark of the Commission meeting video.

Chris – curious about the middle school weight, why is it as high as it is? Drew – we did look at that a bit. Remember that weights are interacting, so districts with more middle schools may be smaller or cost more for other reasons. A response to the characteristics of districts that tend to have more middle school students.

Jay – If our school outcomes are different in 3<sup>rd</sup> grade than 6-8/spread on performance is greater, that could influence it. If test scores vary more in middle school? If we are dealing with a biennial budget in '20 and '21 and need to reset for inflation, if we are lagging a few years behind we will need to use an inflation weight to adjust, yes?

Drew – yes, might look at year one with one inflation rate and then a second year with another inflation rate.

Rick – Questions about catastrophic aid and transportation, as well as special education. It looks to me like we are counting every special education student with a 4.29, which is a heavy value.

Drew – you're right. Our ideal scenario would be to have multiple special education categories. Worked a long time to get data that would be disaggregated, but after a lot of effort it didn't arrive.

Unfortunately only have one special education variable that captures all special education students. If you look at literature provided in the national scan, multiple special education weights are common. Couldn't do it with the data had.

Dave – noted the DOE has been very helpful, but some reservation to accessing disaggregated data for special education given privacy protection issues.

Iris – we did it in '07 and '08, don't know why we are doing this now. Important given how high the weight is.

Chris – Agrees on importance, maybe could get data from other states?

Drew – if you were to split out, some students would have higher weights and some would have lower. If the incidence of severity relatively constant across towns this is not an issue. Becomes a problem if the incidence of severity does differ substantially amongst towns. Also points out that catastrophic aid is separated out, which does help serve very high needs students.

Chris – average is not what you want to look at, because distribution is not equal. Low incidence is high costs. Not sure average is what we want.

Jesse – to the extent that the distribution of students with respect to severity across districts this becomes a problem.

Iris – has to believe that there are higher incidences in some communities.

Bruce Baker – wanted to have two categories. Here in effect we have two groups but the catastrophic aid is the second group. The 4.29 looks like a big weight compared to other states, but it's calculated differently than other states. This 4.29 isn't compared to the overall average, it is compared to a synthetic base expense with zero additional needs. It is not analogous to other states – would have preferred to have split into two groups here.

Dave – suggest we prosecute this line of inquiry within the adequacy work group to do a deeper dive.

Rick – feels that this material is available. Wants to know what MA is doing in terms of setting outcome basis, what are they looking at as performance indicators?

Dave – can dig into, a good point.

Val – question about synthetic weights.

Drew – agreed – these are based on a student with no additional needs. Ranges calculated are similar to those calculated elsewhere despite different methodology.

**Comments from Commission on Chat in Zoom:**

From Corinne Cascadden to All Panelists: 02:41 PM

We will need to approve minutes before adjourning?

From Val Zanchuk to All Panelists: 03:17 PM

To Bill's comment on Solver use - we could fix the average spending per pupil as a boundary condition, then try to solve for an optimum mix of state and local taxes to try to maximize the number of districts paying reduced total taxes.

**Questions from Public in Q/A:**

Doug Hall 03:14 PM

The AIR discussion and simulator are assuming that the needed revenue will all come from property taxes, either SWEPT or local. It would be helpful if one of the variables in the simulator is "Other state sources." In page 4 of today's AIR powerpoint, the column "Simulated Remaining State Obligation" could be met with some of the funds coming from non-property taxes. That would change the two right hand columns. It would be helpful if the spreadsheet let one enter a number for the other sources. \$200 million? \$320 million? \$75 million? As I understand the presentation, the assumption right now is that this number is \$0.

Doug Hall 04:01 PM

The simulator allows transportation to be included or excluded and be funded separately. I think it would be helpful to do the same with Catastrophic Special Education. Fold that existing money in or fund it separately as is done now.

**Public Comments:**

Jeff McLynch, Project Director of the NH School Funding Fairness Project – thanked Commission and AIR for all the work done. Refinements made to simulator really important. When option 1 was first presented it was not clear what would happen to dollars in communities where excess dollars were generated. Seems as though you would end up with a situation where those communities would have a lower minimum local contribution. In that case, would be concerned that disparities in the current approach would be continued, with some districts having lower rates and others with higher, based on property rates. Would remind Commission of the Claremont II ruling, where property taxes must be uniform in valuation and rate, and option 1 may not lead to that.

**Adjourn**

Dave thanked the Commission and adjourned the meeting.

**Documents**

- 8/24 Agenda
- 8/10 Minutes
- Engagement Work Group Task Update
- Granite State Poll Draft Questions
- AIR Presentation of Findings – Part II
- AIR Simulator (posted after meeting)
- AIR Simulator Documentation (posted after meeting)