Attendees: Dave Luneau, Chris Dwyer, Mel Myler, John Beardmore, Bill Ardinger, Jay Kahn. Absent: Rick Ladd. Also in attendance: Jordan Hensley, Jane Ferrini, Paul Grenier, Bruce Mallory, Carrie Portrie. 10 public attendees.

Just after 10am Dave Luneau called the meeting to order.

The meeting began with a discussion with Jane Ferrini, Assistant City Attorney with the City of Portsmouth. She discussed education funding from the former “donor town”/Coalition Community perspective. She noted Portsmouth’s previous efforts to repeal SWEPT, how statewide property taxes are seen as local taxes, and other education funding concerns. She noted previous problems with valuation that do not exist currently. Also discussed the issue of income vs property values in determining ability to pay. Mentioned that Commission members should look at the amicus brief filed by representatives from Portsmouth during school funding state court cases (Claremont, Sirrell). She also gave a breakdown of economic and demographic characteristics of Portsmouth, noted the large degree of property tax abatement in the city, and discussed challenges with valuing commercial properties. Noted the risk of commercial property being somewhat undervalued given the current state of assessment. Also discussed challenges faced by those with fixed incomes living in homes with values that have gone up substantially in recent years. The full video of the presentation is available on the Commission website.

Dave – I’ve gotten some feedback from others as well about things in our assessing laws that could be made better/more useful for fair assessing – if there’s a memo or other resource document that could be made available would be helpful as the Commission looks at particular RSAs. Jane – will send.

Chris – glad we’re looking at assessment pieces – abatement has become a business. Really only 25% are homeowners in Portsmouth who are facing the brunt of higher taxes, mainly folks over 25. Picture has been painted of why people are worried – over 55 single homeowners most worried that they will not be able to sustain a higher tax burden, their values have gone up past what they can afford. Portsmouth has elderly abatements, etc, but that pinch is felt, especially combined with Rooms and Meals (based on population) – Portsmouth pays 40% of Rockingham County’s R&M taxes despite having 8% of population. If commercial was more fairly assessed, that would help to ease.

Dave – Is commercial valuation of property a fundamental structural problem with how we do property taxes in NH currently? Jane – this issue has come up in the past, it’s not just Portsmouth. Issue of what information you (don’t) get from commercial information can impede ability to assess. An issue when looking at overall assessment of commercial property. Dave – The equalized school tax rate in Portsmouth is $4.38 – if there was a higher commercial valuation of property, would that be lower? Jane – yes, but brought up in terms of overall burden
on residential property – why are taxpayers feeling like they are feeling? Subset feels like they are paying more than they can afford.

John – Offering up some thoughts. The question around assessing practices – the attorney raises some interesting questions worth pursuing outside the context of the Commission. To the extent that the commission agrees to rely principally on the property tax, should always work to make it fairer and more equitable. Issues raised around access to commercial data make a lot of sense. Would personally advocate for assessors to be able to enter properties or limit appeals if access is denied. Watching the real estate market you see all the time – a house might be valued at 300,000, but it sells for 400,000 – assessed lower because assessor has not been inside. Worth following up on if you’re a legislator who wants to dig in on a difficult matter. Attorney put out a lot of demographic data, but think it lacks some context. Most important item in thinking about taxes in Portsmouth is that it was 37th lowest in the state – if weighted by population would be able to say that 90+% of taxpayers in NH pay a higher rate than Portsmouth residents. Jane – agree that tax rate is good in Portsmouth. Speaking from perspective – “why do people not like property taxes, why are people upset?” Wanted to let Commission know how people feel and the impact of property tax in Portsmouth. John – respect that. If we are thinking about burdens of property tax, the Franklin perspective more burdened. Jane – agreed, some parts of this outside the work of the Commission. John – other towns would love to have the diversity of property Portsmouth has. Other question is: are you suggesting that Portsmouth is a more elderly city than Portsmouth as a whole? Jane – don’t know statewide number, just personally surprised as a resident. Thought it was relevant to the Commission’s work. John – looked it up, and if you look at ratio of 65+, Portsmouth is above the state average (18.7%). Raise another issue about R&M tax and distribution – I am not opposed to developing other levers for cities and towns to pull, you may have teed up in a positive way questions for this Commission – how can we incentivize other towns and cities to raise revenue outside property tax? We may want to talk a bit more about how to steer burden away from local property taxes.

Dick – Feeling is that SWEPT is a local tax? What is it about this tax that is levied, calculated by state, is uniform, that is different from so many other taxes that are collected by state or federal government? Really a Portsmouth taxpayer who is a New Hampshire taxpayer – how does that happen? Jane – I think it’s a belief. Not necessarily universally held, but information circulated by former donor towns this very much an issue to fuel repeal of SWEPT. Perceived as a local tax for local children. Not a tax expert and understand the analysis that you have just discussed, but think it’s feeling. The question is: why didn’t it work last time and what are some of the reasons SWEPT is an issue – that is one reason that people are and were reluctant to think of SWEPT as a statewide tax, given local nature.

Chris – Because it’s based on local property values and no state controls on the tax. Originally there was no sense that the state was mandating what to do with money makes it hard to see it as a state tax. To John’s point, was Portsmouth rep to the municipal board and advocating for local communities to be able to have some say over what they might tax (restaurants, pillow tax, etc). ¾ of communities voted to put that legislation forth. Many communities could see an option for themselves – maybe differently than Portsmouth – could figure out ways to balance. John –
really interesting and not surprised, but worried if we went down the path would see that Portsmouth has captured the economic benefit, its property tax rate is lower, but other communities would still be struggling with higher property taxes. Chris – not saying this is the route to equalization, but could be route to having property owners feel less burdened. Jane – one interesting community was Lebanon, who had put in some hotels, but there was some issue with sewer and water – a community interested in local revenue options/supporting infrastructure.

Bill – question about the way people feel – feelings not always backed up by facts/data. Would it change their feelings if the state were to say, SWEPT is changed to tax collected by a separate state tax all paid in to one state account, and then out of that account the legislature sends money to districts based on need? Jane – it might, but not sure. Bill – second question is about abatements: a hypothetical where a fixed income family where a family’s home is now worth a million dollars. That elderly person is one of the wealthiest persons on the face of the earth. Is it more appropriate to recognize that the person does not have current cash flow, and defer that tax until a cash event? Even when their children had gone to Portsmouth schools – should Portsmouth and this commission consider a deferral system? Jane – a very interesting concept, that decision would be made by elected officials, but for purposes of this commission and relief to property owners it is a concept to look at. Chris – we have that in Portsmouth, I have had that conversation before, called a lien. A historical reluctance to accept that option – in many cases don’t want to deprive family, many don’t want to take that up, including former city councilors. Bill – rare the taxpayer that would like to pay a tax, every taxpayer in same boat, but no real option for deferral, other states have more thoughtful options and need to examine more. Left with some very wealthy elderly taxpayers saying that they would not like to support public schools – should be given a different option in my view.

Dave – Some important points – public education is in the public interest, and we want to find ways that people regardless of their economic status can support in that public interest. Part of this commission’s efforts to find practical ways to achieve the goal of public education.

Next, the Commission turned to Paul Grenier, Mayor of Berlin. Paul discussed Berlin’s issues of funding education, which began in 1970. At that time, the mills paid 50+% of the town’s property taxes. Residents paid about 22% of property tax bills. Legislature changed tax structure, and that was in hindsight the beginning of the end in terms of property wealth in the community. Today, Berlin’s gross property tax valuation is ~$420million, of which a significant portion is utilities that do not pay the school tax. Utilities have been given the present equalization rate rather than when they filed, and town is forced to repay, which is not fair when residential properties are not getting the same benefits. That is one big problem that needs to be addressed. Legislature has given one time funds, but Berlin worried that there is a lot more pain coming down to the community. Berlin has prioritized school funding to the detriment of other municipal services. With a $38-$39 tax rate, how do you attract property investment?

Dave – 37% of taxes attributed to utilities – didn’t jump out to me until you said it. What’s the infrastructure in Berlin that puts so much utility valuation? Paul – former mill buildings, wind
mills, and bio power – ends up being 37% of property. Over a barrel – spend $150k/yr in fighting legal challenges from utilities. Dave – get no state property tax borne on utilities for local education (do pay SWEPT). Paul – still ahead in the current system. A small miracle in Berlin is that folks come out for recreation and buying some properties for vacation/retirement homes. Not all doom and gloom, just need a ladder to get selves to 10 years from now. Resourceful in Berlin and work together – not a lot of infighting. Know that the best and brightest may not stay in Berlin, have to give them a good education to find their way in life. Would like to keep most of these smart kids. Really need to keep our best and brightest in New Hampshire. North Country a very special place to live.

Dick – You mention one-time funding and the legislature being generous with that, can you explain more? Paul – in the last legislature they restored some funding for catastrophic aid and other portions of aid, and in the second year of the biennium Berlin received two million dollars for education that was used for infrastructure expenses because it wasn’t guaranteed money. Didn’t want to be in a situation where funding couldn’t be continued. Gave some relief to property taxpayers too. Dick – think it’s very important to bring out the fiscal year ’21 one time funding. Paul – would be thrilled to death with 5 years of that commitment – could get caught up infrastructure-wise. Legislature in 2012 began reducing school funding by 5% a year – the community kept funding the loss, and if you don’t raise taxes have to take that from other places. Berlin has a warrant of about fifteen/sixteen million, and an undesignated fund balance of about a million. Can’t afford to make a mistake.

Paul – don’t like to be the poster child of a community that is struggling – we work hard and are proud. Hope the Commission can find an equitable way to fund education, not looking for a handout, looking for fairness.

The work group then moved to discussion of the simulator modeling tool provided by AIR and reflections on AIR’s presentation.

Chris – some early thoughts: one thing that struck me is the notion of concentration. When you look at English learner weights, with the exception of 4-5 communities the proportions are minimal. But that those communities that have ELL learners really do need help. May want to consider Maine’s concentration approach. Really feels to me that transportation should be categorical since it plays out so variably. We have no idea about remoteness or hybrid learning going forward. Special education – since the weight is so high that is work to be done and how to look at special education because the distribution across the state is not that wide but some real outliers do exist. A situation where you have to trust comparability across local districts – bears more thinking about and tinkering. Similar situation with poverty – feels that if we could pay more attention to concentration rather than a continuum, don’t want to lose that notion. Dave – want to follow up on the concentration piece. Using the example of ELL students mostly concentrated in a few communities – aren’t those the schools that would be getting the additional aid? Chris – Not sure Portsmouth needs extra dollars at a very small percentage, but Manchester
at a higher percentage does. Why would you spread dollars across many communities vs a few with greater needs? Discussion of ELL and others as a categorical item rather than per pupil.

Dick – a lot of what we’re talking about is weighting the formula, which is in adequacy. One thing I noticed is the cooperative school districts with multiple towns feeding into one school district – if you look at the per student simulated figure, you find that Jaffrey’s need is a couple thousand per pupil higher than Rindge’s number. Has to be a taxpayer equity issue, not a student equity issue (since Jaffrey-Rindge students are at same district). Just bring this up because it should be somewhere in AIR’s data for all school districts, still want to keep attention on what taxpayers in towns are feeling and what burdens are being placed on them. Dave – when I was looking at the model, did not get the impression that the simulated costs had anything to do with tax equity – that was on the other side of the model showing how the costs could be paid for. Dick – simulator is one thing, print out is another. Get to a point of the formula cost for the town, translated from districts. Have a total formula cost for the town, but what does that number represent other than the amount attributed to that town? Further discussion of needs for spending and revenue.

Bill – Important issue, have been struggling with this. Had an exchange with Drew from AIR. Those numbers as I understand it (by town), the total spend numbers, are the product of a first model of outcomes (developing what is necessary to be spent to achieve an outcome) has no relationship with tax equity, but the simulated model does. Some further discussion of difficulties looking at outcome-based relationships and spending vs revenue. Worried that adequacy will start working on the weightings, but estimates needed to achieve outcomes – need to work on where the relationships between communities are coming from.

Dave – an important point related to co-ops. Possible that Jaffrey-Rindge could have an agreement to split costs based on enrollment. So now how does that tie back to calculated costs and what is contributed from each town. What’s in agreement could be different than calculated costs. Dick – don’t know if we want to get into allocations – more interested in the per pupil costs displayed and we have to understand where these weightings came from and how they are monetized. We’re dealing with the next step (simulator) vs measurements of outcomes. Bill – have to be able to translate into legislative text. Core issue is the fundamental relationship between communities based on outcomes.

Further discussion of current weights and weights to dollar amounts and understanding fully the AIR model. Need to be transparent so communities and courts can see the direct ties. Discussion of the need to tie together adequacy and fiscal policy as the work continues.