Commission to Study School Funding (RSA 193-E:2-e)
Meeting Minutes
September 21, 2020, 2-4 pm

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

Commission Attendance: Dave Luneau, Rick Ladd, Dick Ames, Iris Estabrook, Susan Huard, Bill Ardinger, Jane Bergeron-Beaulieu, Barbara Tremblay, Jay Kahn, Mel Myler, Val Zanchuk, Jon Morgan, Corinne Cascadden, Mary Heath, Chris Dwyer; Absent: John Beardmore, David Ryan. Also Present: Bruce Mallory, Jordan Hensley, Carrie Portrie, Drew Atchison, Jesse Levin, Jenn Foor; 21 attendees from the public listening.

Welcome/Call to order/Tech check/Chair's comments:
Just after 2pm Dave welcomed attendees, called roll, and noted the day's agenda – with a focus on the second half of AIR's presentation of their final report to the Commission. He noted again that AIR's report is not recommendations to the Commission but rather another piece of research that will factor into the final recommendations the Commission makes. The minutes from the 9/10 Commission meeting were approved by all members in attendance except Sen. Kahn, who had to step away.

AIR Final Report—Equity and Adequacy of New Hampshire School Funding: A Cost Modeling Approach (*Available at: https://carsey.unh.edu/school-funding-study/resources under AIR Briefs and Reports)* **pt. 2 (sections 4/5):**
Drew continued his overview of the report, and noted some changes that had been made to parts of the report that were covered during the 9/10 meeting. That updated report will be posted to the Carsey-Commission website. Some discussion was had around estimating costs through cost modeling (p. 29).
Bill – the step 1 result showing that Manchester needs to spend more to achieve state average outcome levels vs, for example Bedford; you can expect members of the public to ask how the cost model works. What is the output of step 1 that informs the step 2 process? Drew showed Appendix table B.6 that showed estimates previously shown in sections 2 and 3. The regression can be applied the same way here – just a mathematical formula that gives a predicted cost for each district. In step 1 using the more complicated model with scores set to state average, whereas the prediction model sets the efficiency variables to the state average to influence the variation in cost predictions across districts. Can use the coefficients from this model and district characteristics to generate the predictions. Use the second stage to simplify and predict using a smaller set of factors the dollar values associated with a change in the weight estimation model. Iris – been having a challenge wrapping my head around this and how you got from target outcome to cost per district and where weights came from. Bill's explanation helps us start to understand. Why is the state/local spending equal to the current spending? Drew – because we are using the average outcomes of the state in our prediction. Because total state/local dollars contribute to the existing outcome level, we are guaranteeing that spending will be the same as current spending. In second stage take out some amount of spending for

federal dollars/catastrophic aid – have some flexibility in second stage to adjust to account for the dollars we wouldn't expect to be in a typical state funding formula. Iris – so in a way you're saying that not only is average outcome is adequacy you're saying total current spending is adequacy. Drew – yes. Can think about it as to say that if you want to generate current outcome levels, need to spend current dollars. Iris – having two weights for same elements (ex: transportation) seems strange, this starts to get us there. Drew – ran two models, one with transportation costs in the target spending level and one without transportation spending from target level, depending on first stage regression outputs. So after generating targets, pulled out what we didn't want – amount of transportation spending was smoothed so spikes wouldn't drastically impact weights. Transportation spending is roughly what each district currently spends, after removing readjust weights to account for that. Iris – in general we need to create a more narrative account than a statistical one, if you aren't familiar it is hard to understand how step one flows into step two, etc.

Dave – agree and that is something the Commission needs to take up in its final report. How helpful would it be to people if we set up a time where Drew could walk us through the step 1 calculations, starting with z-scores and spending and looking at the two districts that Bill mentioned? Bill – I think it would. Legislature has to define "adequacy" and has to value/cost adequacy. Hearing as a narrative, whereas adequacy as currently defined is substantive minimum standards, built to from inputs, the new adequacy is defining target outcome levels. Going through that step by step with experts to show how that outcome level is used to determine relationships between towns. In terms of valuing adequacy that is total spending required, which varies from district to district unlike how the state is currently funding. Chris – I also think within that the idea of a companion document that explains some of the assumptions and the differences with how past thinking might have been, as well as the cautions of what not assume based on these. For example, this does not mean this is what we think total spending would be in the future just because we are using a target outcome. A document that parses some of these pieces would be useful. Dave – is it in the briefs we have now? Chris – no, this connects to NH's current thinking and misinterpretations that could be made/cautioning people away from those. Drew – a lot of things we could do. Maybe look at the revised introduction and see how those address your concerns. Can keep that in mind moving forward. Chris – not necessarily something for AIR but a companion piece from Commission.

Rick – Looking at an aggregate outcome score. If I'm looking at communities with <$800k EVPP there was a relationship between that and outcomes, but out of 59 districts 18 had achievement in the top two quartiles. So those would already be receiving the average aggregate scores – are we going to fund those districts more even if they are achieving? Drew – encourage you to look at simulator to see. Could be that they have low EVPP but could also have low poverty/special education rates. Formula is based on the needs of the students in the district. Where we build in capacity to pay is on revenue side where we talk about minimum local contribution and split between state/local share. That is a separate policy consideration for the Commission but there are two places we build in these needs – one on the student side and the other is on the revenue side. Dave – you laid that out well. Need to recognize the two parts of this model, the first part being estimated costs and then how you go about funding those costs. AIR has showed a couple ways to do it, but there are a lot of other ways too. Want to be able to understand and articulate in our own words the rationale behind moving from

inputs to outcomes and each of us having an understanding of how those estimated costs were arrived at.
Jane – going back to formula, agree that it would be helpful to be walked through how those are achieved so we can explain to other folks how we came to those. With regards to transportation, had a question previously if they included special education transportation that Drew was going to look into. Costs associated with private transportation may not be included in that figure so we should verify if it does or not. Drew – if specialized transportation is being contracted it may not show up as a transportation cost, but dollars would still be there for the service. May not be able to distinguish the cost vs another contracted cost, but should show up in the DOE25 data. Dave – but that would roll into the total vs dollars tagged for special education. Drew – yes, would roll into general number, might not be accounted in amount of transportation excluded in model with transportation separately, but dollars would be in there. Main question for me is whether those dollars are excluded when transportation is excluded or if it still remains. If it's just showing up as a general contracted service we can't know what that is being spent on. Dave asked Bruce to add to list of key issues. Adequacy will make part of their cost conversations about inclusions/exclusions. Jay – one complication of trying to tease out costs is you begin to isolate particular costs and you aren't sure how accurate that is. Makes me anxious working away from overall spending. Jane – have heard loud and clear that specialized transportation is expensive, want to include pre-k transportation costs which can be very expensive. Want to be assured we address that in one way or another. Jay – probably need to address it in the question of what needs to be in the DOE25 to eventually refine the model. Face that problem on a few TBD issues. Barbara – other issue on transportation is the career and technical centers and transportation costs there. Going through the three steps of cost estimation would be very helpful, maybe taking a few districts. Dave – on that, maybe schedule a special meeting for Drew to walk us through. Rick – when we start talking about transportation, when calculating on DOE25 subtract food service revenue and also transportation and supplemental costs subtracted out. Would suggest that we also have Caitlin (Davis) participate in that conversation. Drew – one thing we did change is how we calculated per pupil expenditures based on DOE data, now explain what expenditures AIR chose to include/exclude. AIR's calculation not exactly the same as DOE reported per pupil spending – kept food, transportation, some other supplemental costs in. Jay – CTE transportation is excluded, because it is categorical. Some further discussion was had about the nuances of CTE and tuition costs included and excluded. Val – if all the estimated weights are based on the regression model, my assumption is that any change in those that are allowed in simulator would change outcome of regression model because you're changing the coefficients, is that correct? Drew – yes. When we estimated the weights those are based on our empirical model, so what best fits the distribution of costs. Val – so it seems to me that you shouldn't be able to change weights and would just be throwing things at the wall. In the future if a legislature makes up weights some district will complain. Given how complex all that is, to leave the weight estimation open to modification is a dangerous situation. There should be no modification, because that will be driven by people thinking of costs from the old model and it will be apples to oranges. Dave – thanks, that is a good consideration. How you go about paying for things is different than the cost model – the costs are outside of that.

Drew – trying to walk readers through. Exhibit 18 shows what factors increase costs or do not, and we run regional/NH model. Iris – concerned and want to follow up on Val's point. If each element has to remain as it is worried about small schools by choice. Something like that is going to be an anomaly of the model that people will point at, and have to account for that. Dave – that could be done in a funding model. Iris – brought up in the context of Val's comments. Dave – low number of students may help take care of it. Rick – is AIR looking at multiple categories of disabilities? Dave – NH aggregates, and outside of FY19 that is how state reports. Rick – that will be tough for some to handle with. Drew – if average weight is 4 and some students cost 2x and some cost 6x, hopefully average works out so that districts can spend how they need to serve all special education students using average level. Also pointed out that catastrophic aid is outside the model.
Drew – showed Exhibit 19 on page 35. Can see some separation between NH and regional model, but both align well with a correlation of .77. With the precision of the NH data, we emphasized NH model for subsequent presentation of results. Exhibit 20 shows distribution of actual spending a predicted costs. Shows that distribution is not extraordinary compared to what currently exists in NH. Range is similar. Not proposing something super extreme in terms of range and distribution of predicted costs. Exhibit 21 shows outcome and funding gaps in 18-19. Key validation of model – shows that districts achieving below state average need more funding and those achieving above do not need more to achieve current state average level. Bill – this is showing for the outcome target that every student should have the opportunity to be in a district that gives a public education that provides a state average outcome. Shows the correlation – when your district is not achieving average performance you are getting under this model more funding. Is adequacy shown here as the zero? Drew – yes, AIR's operationalized version of adequacy. Have to predict outcomes at a given level, and chose NH average because overall high level of achievement. Dave – there are a few districts spending less and achieving more, and some spending more and getting less than average performance. Don't know if we have time to dig into these cases more particularly but also comes to mind that we have situations in NH where education spending "defies the laws of physics" because of how funding statutes are. Where the bulk of those districts lie is more in line with affirmative decisions made by voters. Drew – this is a regression model and in every model there is some amount of error, can't control for every thing that impacts spending. Some districts stray from trend line but we have identified the major cost categories that effect student outcomes and costs and that's why we get the fairly strong correlation we do. Dick – this is a very interesting exhibit. One consequence of this model is the lower left quadrant, if we come to a conclusion that adequacy is at the crosshairs there, all of those places will need to go up in their spending to the adequacy level if that's what we decide. The others that are above adequacy can do what they want is where we're at right now. May choose to carry on at that level, or go higher. A consequence we all have to bear in mind in moving to this new adequacy dollar level is higher spending for the state on education, probably significantly higher. Need to all understand. Average will also move up, don't know what that signifies. Drew – Any time you do any sort of redistribution according to your assumptions there would be an increase in overall spending. If you're going to move any of these districts up and other districts stay the same then not sure how you'd get around an overall increase in state spending. Only way not to would be to leave things the same as they are currently. No district will want less than they had before. Bill – the

real adequacy target is the targeted outcome goal. And that outcome goal is not by itself a dollar figure. That goal is getting an outcome score that is at the target of state average. Rick – when we developed our ESSA plan we don't want to be aiming for that achievement score but growth and learning going on. Even if learning is below the score, we are seeing growth. They will get there – have written into law that we want to see achievement and growth.

Drew – page 38 gets into estimation of weights. Use a step 2 to only include factors we think are important and allows us to remove spending that would not be involved in a state funding formula. There was a comment about talking more about pros/cons of including transportation, so have added that. Exhibit 22 is the estimated dollar amount that each cost factor contributes to the per pupil target figure. Can interpret as a 0-1 (or 0% to 100%). Another change is some exhibit reads notes, particularly to regression tables, so hopefully that is helpful. From there go to exhibit 23, go to weights by dividing. Rick – how will the middle school weight work? We have such a scattering of organizational structure. Drew – that was brought up by Doug Hall and Jeff McLynch as well. Used proportion of students in grades 6-8. That becomes a little trickier for town level simulations because currently DOE does not publish grade by grade level for towns, only include existing definitions of elementary/middle/high school enrollment. Likely to be classified by buildings. If possible would recommend Commission work with DOE to get more town level data about portions of students in grades 6-8 to be consistent with weight estimation model. Don't' have that data so simulator shows DOE data, which does not align 100% with how we would prefer to calculate. Dave – probably one of the sections in Commission report is data collection changes for DOE, enrollment by grade by town and maybe other larger categories of special education, things like that.
Dave – going to have to have another meeting to drill down on the three steps and how weights derived, things like that. Maybe can quickly move through final section of report.
Drew – Exhibit 24 shows relationship between FRPL and simulated funding (compared to actual spending, which is flat). Model is more progressive than actual spending. Exhibit 25/26/27 compare actual and simulated spending across characteristics. Following those is a description and validation of the simulator – lines up closely with amount of actual spending and revenues. Final portion of report goes through scenarios for funding, with minimum local contribution or not. Chapter 5 is a brief conclusion.
Dick – on the small school weights: this is really a note about what Commission should do, but need to note incentives vs disincentives. ConVal is a cooperative school district, but if we are creating a model that enables small schools to stay or creates a disincentive for funding, that would be an outcome we wouldn't want. Have to watch out for incentives tied to formulas.
Drew – Have discussed with executive team a weight to move from a stepwise weight to a smooth weight. Iris – agreed. Drew's note reinforces my feelings about how much they are spending currently. Dave – need to separate costs to achieve outcomes and what it costs vs how much money state is putting up. Heard a lot of different models, and we will be looking at those in fiscal policy. Iris – weights create incentives, so that is an issue for adequacy. Wonder why we couldn't have some measure of fiscal capacity? Dave – agreed, we should look at it as a whole.

Dave – hoping to receive the AIR report, which concludes the fixed price portion of our work with AIR. Placed AIR-Commission on the screen and reviewed the statement of work to determine whether or not AIR had finalized all pieces of the "fixed price" portion, without additional consultation services.
Further discussion was had about the scope of the AIR report and whether AIR had fulfilled its obligations, as well as the language of what should be moved.
The motion to the Commission (made by Bill, seconded by Barbara and Iris) was as follows:
"Moved, to accept the AIR Report presented to this meeting as the final report of AIR pursuant to its Contract with the Commission, including the Report's analysis of the relative needs and capacities of school districts and communities; and further, to acknowledge that the simulation model provides a useful illustration of how an integrated system of public school financing consisting of both local and state revenue sources may be constructed in a manner that ~~more fairly~~ distributes total resources to communities with greatest need and lowest capacity; provided, however, that this motion does not address approval or endorsement of any particular policy assumption reflected in the simulation model, including the assumption of a target for total public school spending in any district, the assumption of particular weightings, the assumption of state or local property tax rates, or the assumption of particular revenue sources, as all of these policies remain open before the Commission for further review and final action."
Rick commented that the "more fairly" note is compared to what. Iris noted that it is a values statement. Bill – this is just really confirming that the simulation model is a useful illustration of how a model *could* be constructed. More conversation about fairness. Motion amended to strike the words "more fairly". The motion was passed by all Commission members in attendance (Jon Morgan and Chris Dwyer had to leave early and were not in attendance).

Budget Update:
Bruce updated the Commission on the state of the Carsey-Commission budget. Showed a non-spent or forecasted $28,312 in the Carsey-Commission contract and a balance of $44,543 in the Education Trust Fund. Bruce also showed a proposed extended contract with AIR to cover additional needs, totaling not-to-exceed $20,635.73. Mel moved (Mary seconded) to authorize the Commission executive team to authorize an extension in that amount to contract with AIR for additional consulting services.
Rick noted the Commission should drill down on special education costs and isolate more different kinds of needs. Dave noted that the availability of data due to privacy issues is lacking.
Val – we may want to recommend doing things outside the "black box" where specific issues could be addressed.
Iris – agree with Rick, there is room for us to discuss weights and reconsider some parts of the AIR model.
Jay – to clarify, this is within the contract limits. Can do more analysis and how we want to do that. We know there will be at least one more.
Dick – you laid out a number of the hours that would be expected, many of them in relation to our meetings. That needs to be managed carefully to ensure we get the most mileage possible out of AIR.
The motion was approved by all members in attendance (Jon and Chris had to leave early).

Questions/comments placed in chat:

From Val Zanchuk to All Panelists: 02:25 PM
I may have missed it, but is the actual regression formula shown in the report?
From Bruce Mallory to All Panelists: 02:59 PM
If you are not able to get your questions answered in today's meeting please enter them here so we can track them and eventually address them either in writing or at the proposed meeting with Drew that walks us through the regression analysis.
From Chris Dwyer to All Panelists: 03:02 PM
I think the distinction between the cost model and the funding model is critical....maybe it should be called the "what-it-would-cost" model
From Jay Kahn to All Panelists: 03:06 PM
Is CTE categorical transportation aid part of the DOE 25 transportation cost? Concern is that those costs are currently reimbursed through categorical aid.
From Val Zanchuk to All Panelists: 03:14 PM
The various players in the current adequacy costing formula world are familiar with the cost build method used to produce the existing formula. The ConVal complaint attempts to update that model with real costs (as does the AIR analysis) and changes to the assumptions in the current formula (e.g., student to teacher ratio of 15 instead of 30, etc.). to get their cost of $9929 versus the base adequacy of $3562.71. If we apply a cost increase/inflation factor to the 2008 base adequacy aid (say, 5% per year over 12 years), the aid should be up to $6558. The AIR constant is $4973 to $5868 depending on whether or not transportation costs are included. There is no fiscal correlation between that constant (coming out of the mathematics of the regression analysis) and the base adequacy aid (coming out of an input cost calculation), but they are in the same order of magnitude. How do you propose we present the findings such that people don't use a 2008 thought process with AIR regression model?

Questions placed in the Q/A Box:

Bonnie Moroney 03:42 PM
When you say wealthy towns, are you suggesting the average income of the tax payers or are you speaking of at assessed value of that town? In the Town of Carroll we have Bretton Woods, Mt. Washington Hotel, and AMC Highland Hotel, that puts us into a high assessed value, but that does not begin to reflect what the average family makes for income to live to pay taxes. This needs to be looked at before thinking about hitting the "wealthy" towns for more, as was done years ago.
Bonnie Moroney

Public Comments:

Jeff McLynch presented a petition of support to the Commission. A copy of the petition can be found on the Carsey-Commission website on the September 21 meeting tab.

Judy Reed also spoke, noting that the NH supreme court had to define and cost an adequate education, which she believes is not enough. Also noted that adequate is not enough, should strive for good (a real NH advantage). Made a case that funding should be done equitably, and

said that New Hampshire can do better given its wealth. Vermont gives 90% of education from the state but New Hampshire is funded 63% locally. Disparate impacts based on income. When considering tax base per pupil there are towns that would have to tax themselves at 8x to raise same amount per pupil. Reliance on local property taxes to pay for a constitutional right is shameful. Over ¾ of students in NH go to schools in towns where tax base is below the state average. How can you talk about the NH advantage when so many students are disadvantaged. Many schools having to get by with less, and that has cascading impacts. Method now creates a downward spiral in property poor towns when it should be lifting them up. Asked Commission to take the long view. If you do your work well will long outlast this pandemic. Thanked Commission. Final guiding question – if this Commission's final recommendations are adopted, would you be happy if your child had the education offered to the poorest town in NH?

Norm Turcotte – thanked Commission for the service it is providing. Here as a retired CEO, served as CEO of associated grocers. A bit of an unusual company in being very large with 1,000 employees but it is totally owned by independent grocers throughout New England. Gave a history of associated grocers. The one asset their business could not buy is people – finding people the biggest challenge employers in NH face. Living in Bedford I get the best of all possible worlds. But notice that my son and son-in-law (both principals) run schools outside of NH where funding is more readily available. The job you are doing is the most important work the state will do for decades to be done. Training the workforce of tomorrow and making it attractive for employers to locate here. And a matter of conscience. Just fairness. Need to extend opportunities to kids across state. Beg that you be courageous and bold in tackling a very difficult issue.

Peter Powell of Lancaster commented – supporting the petition offered by Jeff. We see the regressive impact of property taxes. Schools often seen as a culprit but see in White Mountains Regional support of schools. But a third attempt to bond (CTE enhancements mostly) received 50% but not 60% needed. In an area that struggles to retain staff. Inadequacy of state funds and revenue big challenge. Please be aware of current changes in the marketplace that may not be substantiated for some time. People live in homes they could not afford to buy. New Hampshire is seeing a corresponding reduction in marketability and value of commercial real estate. Tax burden shifted to homes. Many changes coming. Neither businesses or communities can function well if subjected to constant change and downshifting costs.

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

Next youth voice public comment period: Wednesday, September 23, 4-5pm
Next open public comment period: Wednesday, September 30, 4-5 pm

Next set of Commission work group meetings will take place on Sept 29.

Adjourn

Documents:

Documents for this meeting can be found on the Commission website under 9/21 materials - https://carsey.unh.edu/school-funding/school-funding-study/resources/meeting-documents-video