COMMISSION TO STUDY SCHOOL FUNDING
Adequacy/Distribution Workgroup Report
November 20, 2020

Findings

1. The opportunity for an adequate education is based on education that (a) conforms to the state’s minimum standards and other state requirements for public education, (b) provides every student with the opportunity to perform at or above the state average student outcome level, and (c) appropriately responds to differentiated student needs and community characteristics.

2. NH average student outcomes are in the top tier of states. However, averages mask inequities across 234 towns and 177 school districts. The Commission found that lower student outcomes are related to lower total spending per student which is related to lower property valuations.

3. The current school funding formula (including differentiated aid) and current distribution processes are unable to address the goal of allocating funds in a way that addresses variations in student need as well as variations in local capacity to raise revenue to pay for public schools.

4. The Education Cost Model (ECM) adopted by the Commission is based on a formula that calculates the costs associated with students with diverse needs who attend schools of varying sizes and at different grade levels. The application of differentiated weights for students receiving Free and Reduced Lunch (a proxy for poverty), special education, English language instruction, who attend middle or high school, and who are in relatively smaller districts is an effective predictor of the cost of an opportunity to achieve at the statewide average student outcomes. The integrity of the formula is fundamental to accurate cost predictions and distributing funds in a way that creates greater equity for all students. The ECM should only be adjusted following the same calculations used to develop it, with consideration for the impact of any changes on students and school districts with the greatest educational and financial needs.

5. Resources available for career and technical education are inadequate and not consistent with the state’s need for a prepared workforce.

6. Significantly reduced building aid distribution has resulted in a backlog of projects and a growing number of aged, inadequate, unhealthy school facilities. Such facilities have been found to be detrimental to positive student outcomes.

7. The costs of meeting special education mandates directed at local school districts are insufficiently matched by state funding.

8. The opportunity for quality early childhood education leads to documented positive educational and lifetime outcomes, especially for children from low income families.
Recommendations

1. An outcomes-based funding formula that raises the opportunity for all students to achieve at current statewide average outcome levels should be adopted and phased in over the next three bienniums.

2. Weights for differentiated aid should be aligned with the resources needed by students with greater special needs to assure they have the opportunity to achieve statewide average outcomes.

3. Access to career and technical education programming should be expanded, with full tuition and transportation support.

4. Building aid funding should be restored to the previous 20-year distribution cycle, with an initial increase in the total amount of funds available in order to more quickly address the backlog of projects and thereby improve student outcomes. It is expected that a portion of building expenses will be contributed by local districts; the proportion of local contribution will vary with local capacity.

5. The current approach to funding special education students attending public chartered schools should be changed in order to assure that the district in which the student is enrolled has sufficient funding to cover the additional charges assessed by the chartered school on the district that exceed the weighted allocation received by the district.

6. Access to community and school-based early education programs should be expanded to enable all students a better opportunity to achieve an adequate education.

7. Court proceedings over the past 30 years have asked the legislature to define constitutional adequacy. The Commission recommends that the value of constitutional adequacy should vary for local communities in a manner that addresses those communities with the greatest need as determined by student outcome factors identified in this report.

Definition of the Cost of an Adequate Education

The Commission finds that the statutory definition of an adequate education should reflect the importance of assuring that all students have equal opportunity to achieve a comparable level of educational performance as their peers, regardless of the equalized valuation of property in their communities, or their particular needs as learners. Therefore, the Commission defines the cost of an adequate education as the financial resources needed by each student in each school district to have the opportunity to achieve at the level of average statewide performance outcomes. The Commission has applied performance outcomes described in RSA 193-E:3: attendance rates; graduation rates; and scores on standardized achievement tests. This performance-based definition pegs the cost of an adequate education on outcomes, not inputs.

The Commission is making no recommendations to change the definition of an adequate education, as defined by existing statutes (RSA 193-E:2 and 2a and elsewhere) and NH Department of Education standards and regulations. The criteria of the skills and knowledge of an adequate education, and the content that schools are required to deliver in their locally-
determined curricula are not affected by an outcomes-based definition of the cost of providing an adequate education.

Implementation of an outcomes-based cost formula will require changes to 193-E:2b, Cost of an Adequate Education, which currently states: “The general court shall make an initial determination of the necessary specific resource elements to be included in the opportunity for an adequate education.” The resource elements in an input-based formula is constructed on minimum inputs such as class size, teacher compensation, administrative support, technology, etc. The important question is not what class size might be or number of administrators in a school, but rather whether the school is producing student outcomes that achieve, or are progressing to achieve, statewide average student outcomes.

This outcomes-based definition will facilitate measuring the value of constitutionally adequate education, the term used in court proceedings, by defining the predicted costs for each district to achieve the designated standard of student-centered outcomes. In addition, an outcomes-based definition will facilitate accountability. Establishing standard student outcomes leads to consistent and timely assessment of relative district performance. An outcomes-based definition may also facilitate judicial review of the constitutional duty of the State.

**Education Cost Model (ECM)**

The Commission accepts the Education Cost Model developed by AIR. The ECM creates student-centered, outcomes-based cost estimates that reflect a “goodness of fit” among statistically significant variables associated with student needs and school district characteristics. The Commission understands that the ECM operates best when the salient factors of poverty (measured by eligibility for FRPL), special education enrollment, ELL enrollment, district size, and grade level are all included in cost calculations. After considering both… The Commission also finds that the costs of transportation services should be included in the total calculation of educating students. The ECM enables the legislature to appropriate dollars based directly on the characteristics of students regardless of where they live. The identification of costs for public schools is determined by the dollars needed for all students in all districts to have opportunities to achieve average statewide performance outcomes.

The ECM includes a district size weighted differential that reflects the varying expenses associated with district size. Smaller districts may operate at a lower level of cost efficiency than larger districts. The Commission was not charged with considering school governance structures, including district size. Future legislative action might consider removing size weights from districts that choose to remain small as measured by population density and/or distance to abutting districts.

**Recommendations and Considerations for Categorical Aid Programs**

In addition to the adequate education grant that each district receives, districts may also receive categorical grants intended to support specific activities not included in the adequate education cost formula. The Commission considered several grant programs that it believes require
adjustments, which will improve student opportunity and outcomes. Summary findings relative to those grant programs are provided below. Expanded briefs on each program are included in Appendix X.

The Commission considered bringing categorical aid programs into the cost of adequate education but lacked a statistical basis for doing so. Adding any categorical programs to the recommended differentiated weights included in the cost of an opportunity for an adequate education will lead to the need to recalculate the ECM, and would affect the level of funding available for each area of differentiated aid (as available dollars are distributed across more categories of aid).

Career and Technical Education
CTE is identified in statute as a critical and necessary component of the opportunity of an adequate education. It should be funded in a manner reflecting its critical importance. Opportunities for CTE are more easily accessed by students at schools hosting CTE centers than by students at sending schools. Opportunities should be expanded in order to meet the state’s workforce needs. The Commission affirms the language and intent of HCR 12 (approved May 12, 2016) which calls for 65 percent of the state’s working age population to hold a post-secondary education degree or credential by the year 2025. A robust career and technical education program available to high school students is a critical means to achieve that goal.

Process to Achieve Target:
• CTE is part of an adequate education, and the commission encourage greater funding to support this vital component of an adequate education. This goal could be achieved by allocating a flat dollar per student amount as an incentive for districts to expand access to CTE programs.
• Provide full funding for tuition support for all CTE students, not just those from sending schools.
• Fully reimburse transportation costs.
• Amend RSA 188 to achieve these policy goals, including provisions to assure continued maintenance of the CTE per pupil allocation and make adjustments aligned with inflation over time.

Building Aid
• Building aid should be distributed over a 20-year period in order to would allow more projects to receive awards
• Change the award range to be more reflective of the resource range of districts based on equalized valuation per student
• Require the state budget to appropriate no less than $50M each year to cover new projects and an additional appropriation to cover the obligated tail payments
• Prioritize projects for health, security, safety and accessibility (including universal design for learning), with an emphasis on air quality
• Request NH DOE to report on school building status (including indoor air quality, health, safety and accessibility), grant applications, awards, tail obligation, 10-year proforma for new projects, tail costs and bond rates
• Assessment of absentee rates, health complaints, student performance
• Data collection short and long-term absentee rates, student/staff health reports,

Special Education Aid
• Affirm that Special Education Aid remains outside of the funding formula proposed by the Commission, similar to other states across the country.
• Affirm that both Special Education Aid and the federal and state special education laws, rules, and implementing administrative practices of which Special Education Aid is an integral component are included within the state’s commitment to provide every child with an opportunity for an adequate education.
• Affirm the commitment on the part of the state of NH to fully fund Special Education Aid by appropriating sufficient funds in order to pay its full share of excess cost under RSA 186-C:18 (requiring the state to pay 80% of costs between 3.5 and 10 times the state average per pupil cost and 100% of costs above 10 times the average cost).
• Affirm that official guidance documents, including data entry manuals, software manuals, software updates, and related memoranda, must be consistent with special education law.
• Special Education Aid reimbursement should occur within the fiscal year services are provided. Basing reimbursement against previous year or years, trued up in the following year, should be possible and still consistent with special education laws.
• Special education aid should include provisions to reimburse school districts for charter school students with IEPs who require services from the student’s home district. There is a need to create data collection capacity within the Department of Education to enable the setting of reasonable rates for special education services charged to school districts by public chartered schools. Rate-setting guidance for chartered schools should be established by the Department.
• A Task Force should be established to look more closely at the complicated issues related to IDEA eligible students who are placed by the juvenile court in private special education facilities or foster homes and the related fiscal costs to school districts.
• Changes to existing special education aid provisions must be aligned with any effect on ECM weights (e.g., if special education aid went to 2 ½ times average statewide per pupil cost).

Early Childhood Education
• Improve access to quality Early Childhood Education for children age 3-5 in school-based and community-based programs
• Focus initial expansion on serving children in families earning up to 250% of the Federal Poverty Level
• Increase eligibility and funding for the Child Care Scholarship Program beyond current threshold of 250% of the Federal Poverty Level
• Create a Preschool Incentive Program, modeled on the Kindergarten Incentive Program, to include enrolled preschool aged children in the district ADMA in order to encourage expansion of school-based programs;
• Invest in the training and compensation of the early education workforce as a critical path to quality (evidenced by lower turnover rates and greater teacher longevity)
• Increase collaboration between DHHS and DOE; consider opportunities for improved data collection

Public Chartered Schools. The outcomes-based funding model suggested herein is based on current funding levels. The current state per pupil funding level to public chartered schools authorized by the State Board of Education (31 of 32 current chartered public school) is $7,120 plus differentiated aid, which brings the average state funding per student to $9,000. Chartered public schools (except for one) receive no local funding nor student tuition support, are eligible for federal funds and rely on fund raising to make up differences between state tuition funding and actual cost per student less federal aid. It is difficult to incorporate chartered public schools into the Estimated Cost Model. They don’t have the same legal requirements, have no responsibility for special education, serve a smaller percentage of students receiving free or reduced lunch or requiring English language learning and are not required to provide transportation.

The unique funding of public chartered schools is described in RSA 194-B:11. As the state legislature implements the Commission’s recommendations for public school districts, consideration should be given to if and how those changes should be reflected in state per student tuition funding to public chartered schools.

As the state authorizes increased capacity of public chartered schools, consideration should be given to the stranded costs of districts, fixed operating and capital expenses.