

HB 597-FN-LOCAL - AS INTRODUCED

2017 SESSION

17-0738

04/03

HOUSE BILL

597-FN-LOCAL

AN ACT relative to calculating the cost of an opportunity for an adequate education and providing fiscal capacity disparity aid.

SPONSORS: Rep. Ames, Ches. 9; Rep. Cloutier, Sull. 10; Rep. Myler, Merr. 10; Rep. Heath, Hills. 14; Rep. Rosenwald, Hills. 30; Rep. Berch, Ches. 1; Rep. Luneau, Merr. 10; Rep. Lovejoy, Rock. 36; Rep. Rogers, Merr. 28; Sen. Feltes, Dist 15; Sen. Watters, Dist 4

COMMITTEE: Education

ANALYSIS

This bill:

I. Amends the adequate education grant amounts to municipalities for all categories of differentiated aid.

II. Requires aid to municipalities based on fiscal capacity disparity which is calculated using a municipality's equalized valuation per pupil and median family income.

III. Amends the amount of the stabilization grant to be disbursed in the 2018-2019 biennium.

Explanation: Matter added to current law appears in ***bold italics***.
 Matter removed from current law appears ~~[in brackets and struck through]~~
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Seventeen

AN ACT relative to calculating the cost of an opportunity for an adequate education and providing fiscal capacity disparity aid.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Findings.

2 I. The general court finds that the cost of the opportunity for an adequate education for all
3 students in a municipality's average daily membership in attendance (ADMA) in a school district
4 rises in proportion to the rise in the proportion of economically disadvantaged students in the
5 municipality's ADMA and that a purpose of this act is to adjust the current procedure for
6 calculating the cost of an adequate education as provided in this act in order to ensure that the
7 state meets its constitutional duty to provide the opportunity for an adequate education to all
8 students.

9 II. The general court recognizes that certain communities lack the relative wealth and
10 fiscal capacity to fund local education to the extent desired by those communities. For this reason,
11 the general court finds it appropriate to provide money above the cost of the opportunity for an
12 adequate education based upon the fiscal capacity and relative need of certain communities.

13 2 Cost of an Opportunity for an Adequate Education. Amend RSA 198:40-a, I-II to read as
14 follows:

15 I. For the biennium beginning July 1, ~~[2015]~~ **2017**, the annual cost of providing the
16 opportunity for an adequate education as defined in RSA 193-E:2-a shall be as specified in
17 paragraph II. The department shall adjust the rates specified in this paragraph in accordance with
18 RSA 198:40-d.

19 II.(a) A cost of ~~[\$3,561.27]~~ **\$3,636.06** per pupil in the ADMA, plus differentiated aid as
20 follows:

21 (b)(1) An additional ~~[\$1,780.63]~~ **\$454.51** for each pupil in the ADMA who is eligible for
22 a free or reduced price meal ***if less than 12 percent of the school district's ADMA in the***
23 ***determination year are eligible for the free or reduced price meal program; or***

24 (2) ***An additional \$909.02 for each pupil in the ADMA who is eligible for a***
25 ***free or reduced price meal if at least 12 percent but less than 24 percent of the pupils***
26 ***reported in the school district's ADMA in the determination year are eligible for the free or***
27 ***reduced price meal program; or***

28 (3) ***An additional \$1,818.03 for each pupil in the ADMA who is eligible for a***
29 ***free or reduced price meal if at least 24 percent but less than 36 percent of the pupils***
30 ***reported in the school district's ADMA in the determination year are eligible for the free or***

1 *reduced price meal program; or*

2 *(4) An additional \$2,727.05 for each pupil in the ADMA who is eligible for a*
3 *free or reduced price meal if at least 36 percent but less than 48 percent of the pupils*
4 *reported in the school district's ADMA in the determination year are eligible for the free or*
5 *reduced price meal program; or*

6 *(5) An additional \$3,636.06 for each pupil in the ADMA who is eligible for a*
7 *free or reduced price meal if at least 48 percent of the pupils reported in the school*
8 *district's ADMA in the determination year are eligible for the free or reduced price meal*
9 *program; plus*

10 (c) An additional [~~\$697.77~~] **\$711.40** for each pupil in the ADMA who is an English
11 language learner; plus

12 (d) An additional [~~\$1,915.86~~] **\$1,956.09** for each pupil in the ADMA who is receiving
13 special education services; plus

14 (e) An additional [~~\$697.77~~] **\$711.40** for each third grade pupil in the ADMA with a test
15 score below the proficient level on the reading component of the state assessment administered
16 pursuant to RSA 193-C:6, provided the pupil is not eligible to receive differentiated aid pursuant to
17 subparagraphs (b)-(d).

18 3 New Section; Adequate Education; Fiscal Capacity Disparity Aid. Amend RSA 198 by
19 inserting after section 40-c the following new section:

20 198:40-cc Fiscal Capacity Disparity Aid.

21 I. In addition to aid for the cost of the opportunity for an adequate education provided
22 under RSA 198:40-a, each biennium the department shall calculate fiscal capacity disparity aid and
23 provide that amount of aid in each year of the biennium to a municipality's school districts and to
24 charter schools approved under RSA 194-B:3-a as follows:

25 (a) The department shall calculate the equalized valuation per pupil for each
26 municipality in the state and shall sort the results from lowest to highest excluding municipalities
27 with zero ADMA.

28 (b) A municipality with an equalized valuation per pupil in the lowest 8 percent,
29 rounded down to the nearest whole number, of municipalities sorted, and which has a median
30 family income which is less than the state average median family income, shall receive fiscal
31 capacity disparity aid in the amount of \$2,000 multiplied by the municipality's ADMA.

32 (c) A municipality with an equalized valuation per pupil in the next lowest 4 percent,
33 rounded down to the nearest whole number, of municipalities sorted, and which has a median
34 family income which is less than the state average median family income, shall receive fiscal
35 capacity disparity aid in the amount of \$1,000 multiplied by the municipality's ADMA.

36 II. Except as otherwise provided in this section, fiscal capacity disparity aid shall be
37 distributed pursuant to RSA 198:42.

38 III. In this section:

(a) "Equalized valuation per pupil" means a municipality's equalized valuation, including properties subject to taxation under RSA 82 and RSA 83-F, as determined by the department of revenue administration, that was the basis for the local tax assessment in the determination year, divided by the school district's kindergarten through grade 12 ADMA.

(b) "Median family income" means the most recent census data published for New Hampshire counties and municipalities by the United States Department of Commerce, Census Bureau, as of October 1 preceding the beginning of the biennium for which aid is to be determined.

4 Adequate Education; Determination of Grants. Amend RSA 198:41, IV(d) to read as follows:

(d)(1) For fiscal year 2017 [~~and each fiscal year thereafter~~], the department of education shall distribute a total education grant to each municipality in an amount equal to the total education grant for the fiscal year in which the grant is calculated plus a percentage of the municipality's fiscal year 2012 stabilization grant, if any, distributed to the municipality; the percentage shall be 96 percent for fiscal year 2017 [~~and shall be reduced by 4 percent of the amount of the 2012 education grant for each fiscal year thereafter~~].

(2) For fiscal year 2018, the department of education shall identify all municipalities in which the fiscal year 2018 total education grant plus any fiscal disparity aid scheduled for receipt by the municipality pursuant to RSA 198:40-cc will be less than the municipality's fiscal year 2017 total education grant including the municipality's fiscal year 2017 stabilization grant, if any. The department shall distribute a stabilization grant for fiscal year 2018 to each of those municipalities equal to 100 percent of the decrease.

(3) For fiscal year 2019, and each fiscal year thereafter, the department of education shall distribute a total education grant to each municipality in an amount equal to the total education grant for the fiscal year in which the grant is calculated including any fiscal disparity aid scheduled for receipt by the municipality pursuant to RSA 198:40-cc, plus a percentage of the municipality's fiscal year 2018 stabilization grant, if any, distributed to the municipality. The percentage shall be 96 percent for fiscal year 2019, and shall be reduced by 4 percent of the amount of the 2018 stabilization grant for each fiscal year thereafter.

(4) No stabilization grant shall be distributed to any municipality for any fiscal year in which the municipality's education property tax revenue collected pursuant to RSA 76 exceeds the total cost of an adequate education or to any municipality for any fiscal year in which the municipality's ADMA is zero.

5 Effective Date. This act shall take effect July 1, 2017.

HB 597-FN-LOCAL- FISCAL NOTE

as introduced

AN ACT relative to calculating the cost of an opportunity for an adequate education and providing fiscal capacity disparity aid.

FISCAL IMPACT: ☒ State ☐ County ☒ Local ☐ None

STATE:	Estimated Increase / (Decrease)			
	FY 2018	FY 2019	FY 2020	FY 2021
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	\$0	\$0	\$0
Expenditures	\$4,801,965	Indeterminable	Indeterminable	Indeterminable
Funding Source:	<input type="checkbox"/> General	<input checked="" type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

LOCAL:

Revenue	\$4,672,622	Indeterminable	Indeterminable	Indeterminable
Expenditures	\$0	\$0	\$0	\$0

METHODOLOGY:

This bill amends the education grant formula by applying the consumer price index (CPI) adjustments required for the per pupil aid amount and differentiated aid components (except for the free and reduced price meal component, which is significantly changed by this bill), adds fiscal capacity disparity aid, and amends the stabilization grant component of the total grant, all beginning in FY 2018 and further explained below:

CPI Adjustments

This bill updates in statute the per pupil aid amount, as well as the aid amounts for english language learner, special education, and not proficient in 3rd grade reading differentiated aid components. Current law sets the rates effective in FY 2015 with the Department of Education applying a CPI adjustment biennially. This bill simply amends the statute to the Department's already published CPI adjusted figures for the biennium beginning July 1, 2017, which results in no fiscal impact.

Free and Reduced Price Meal Program Differentiated Aid

Currently, all municipalities receive the same additional aid amount for each pupil that is eligible for a free or reduced price meal. This bill amends this aid component to be a tiered amount based upon the school district's (assumed to have meant municipality's) number of eligible pupils as a percent of its total number of pupils. See table below for specific aid amounts

by tier.

Fiscal Capacity Disparity Aid

This bill establishes fiscal capacity disparity, which will provide additional funding to qualifying municipalities. Under this bill the Department of Education will calculate the equalized valuation per pupil in each municipality and each municipality in the lowest eight percent will receive an additional \$2,000 per pupil and each municipality in the next lowest four percent will receive an additional \$1,000 per pupil.

Stabilization Grant

This bill redetermines the stabilization grant component of the total education grant. Currently, all municipalities that originally qualified for a stabilization grant in 2012 will receive 92% of the original amount in FY 2018, with the amount reducing by an additional 4% each subsequent year. Under this bill, a stabilization grant will only go to municipalities that receive less funding under the new formula in FY 2018 than it received in FY 2017. The stabilization grant will be the amount of the difference and will be reduced annually by four percent beginning in FY 2019. This bill makes no change to the provision that no municipality shall receive a stabilization grant in any year it raises more in its statewide education property tax than its calculated cost of an adequate education or if it has zero pupils.

Charter Public Schools

Charter public schools also receive funding as described in RSA 198:40-a (base pupil aid plus differentiated aid). This bill will only impact charter schools to the extent they have pupils eligible for free and reduced meal price plans. This bill modifies the free and reduced meal plan component to be based on a percent of the school district's (assumed to have meant municipality's) ADM. In place of school district (or municipality), this fiscal note uses each charter school's ADM to determine the proposed free and reduced meal price plan differentiated aid.

Assumptions

The data used for the fiscal analysis below assumes FY 2018 preliminary estimate data and the following assumptions:

- For the free and reduced meal price plan, while the bill states "pupils reported in the school district's" ADM, it is assumed it was meant to be municipality's ADM.
- Charter school ADM used in place of school district's (meant to be municipality's) ADM for the purpose of calculating free and reduced meal price plan differentiated aid.

Change Summary

The table below summarizes this bill's changes to the education funding formula components:

	FY 2018	
	CURRENT LAW	PROPOSED
<u>Per Pupil Aid Categories</u>		
Base Amount	\$3,636.06	\$3,636.06
<i>Differentiated Aid</i>		
English Language Learner	\$711.40	\$711.40
Special Education	\$1,956.09	\$1,956.09
Grade 3 Reading Non-Proficient	\$711.40	\$711.40
Free and Reduced Meal Program	\$1,818.02	N/A
F&R ADM Less Than 12% of Total ADM	N/A	\$454.51
F&R ADM Between 12-24% of Total ADM	N/A	\$909.02
F&R ADM Between 24-36% of Total ADM	N/A	\$1,818.03
F&R ADM Between 36-48% of Total ADM	N/A	\$2,727.05
F&R ADM Greater than 48% of Total ADM	N/A	\$3,636.06
<u>Fiscal Capacity Disparity Aid</u>		
For Municipalities with an Equalized Valuation Per Pupil in the Lowest 8% of all Municipalities	N/A	\$2,000 Per Pupil
For Municipalities with an Equalized Valuation Per Pupil between 8% - 12% of all Municipalities	N/A	\$1,000 Per Pupil
<u>Stabilization Grant</u>		
If Currently Receiving "2012 Stabilization Grant"	FY 2018: 92% of Original Amount FY 2019: 88% FY 2020: 84% FY 2021: 80%	N/A
If Calculated Grant for FY 2018 is Less Than Grant Received in FY 2017	N/A	FY 2018: Difference Between FY 2017 Actual Grant and FY 2018 Calculated Grant FY 2019: 96% of FY 2018 Stabilization Grant Amount FY 2020: 92% FY 2021: 88%

Fiscal Impact Summary

FY 2018			
	CURRENT	PROPOSED	DIFFERENCE
<i>Traditional Public Schools</i>			
Preliminary Grant (Cost of Adequacy, Less SWEPT)	\$417,971,027	\$447,047,020	\$29,075,993
Fiscal Capacity Disparity Aid	\$0	\$27,802,890	\$27,802,890
Stabilization Grant	<u>\$144,517,792</u>	<u>\$92,440,875</u>	<u>(\$52,076,917)</u>
<i>Total Grants to Municipalities</i>	<i>\$562,488,820</i>	<i>\$567,290,785</i>	<i>\$4,801,965</i>
<i>Charter Public Schools - F&R Diff. Aid</i>	<i>\$774,004</i>	<i>\$644,661</i>	<i>(\$129,343)</i>
FY 2018 TOTAL			\$4,672,622

This bill's fiscal impact for FY 2019 and each year thereafter is indeterminable as data is not yet available.

AGENCIES CONTACTED:

Department of Education