

## **FY2017 Second Estimate of Adequate Education Aid**

Although RSA 198:41, III(b) indicates that the amount of a municipality's FY2017 total grant should be capped at 160% of its FY2016 total grant, the Department of Education has modified the cap to comply with the Sullivan Superior Court's ruling in *Dover, City of v. The State of New Hampshire*. As modified, every municipality will receive State funding (i.e. state education property tax revenue plus total grant) that is no less than the cost of an opportunity for an adequate education as defined by RSA 198:40-a, and labeled on the spreadsheet "Total Calculated Cost of an Adequate Education."

Since the first estimate of FY2017 adequacy aid was published on November 15, 2015, there has been one legislative change to the formula. The 2016 bill SB 227 added the condition that if a municipality has no students or receives a state education property tax assessment that is more than the cost of an opportunity for an adequate education (RSA 198:40-a), that municipality will no longer receive a stabilization grant. For FY2017, the impact of this change will be minimal because RSA 198:41, VIII guarantees a grant of no less than the 95% of the first estimate.

Two changes from the 2015 legislative session take effect this year. The first is a 25-year phase out of the stabilization grant. The second change is inclusion of an additional 0.15 in the ADM for each academic course taken by a home-schooled student at the local public high school, but only if appropriated funds are sufficient to cover this additional expense.

### **How the Cost of an Opportunity for an Adequate Education is Determined**

RSA 198:38 through 198:42 specify how aid is calculated and distributed.

#### **Students:**

Adequacy Aid is calculated using the Average Daily Membership (ADM) of the students who reside within a municipality. A full-time student enrolled in school for the entire year has an ADM of 1.00. If a student moves mid-year, he is counted as a fractional ADM in each municipality. For FY2017 Adequacy Aid, school year 2015-2016 ADM will be used.

The total ADM for a municipality consists of:

- Students who attended a school operated by their resident district.
- Students tuitioned by the resident district to a district-operated school in NH or another state.
- Students tuitioned by the resident district to a non-public school, such as a special education program.
- Kindergarten students are counted as no more than .50 ADM (half-day program).
- Home school students enrolled in high school academic courses at the rate of 0.15 ADM per course. These students will be counted only if the appropriation has excess funds available.
- Preschool students are not included.
- Charter schools students are not included, except as provided for in RSA 194-B:11.
- In the first year a student receives an education tax scholarship to attend a private school or is home schooled, the resident school district will be notified that, for the purpose of Adequacy Aid only, this student will be removed from the prior year's ADM.

### Cost of Adequacy:

Every two years the base per pupil cost and additional costs for certain students are adjusted for inflation and used for both years of the State's biennium. RSA 198:40-d specifies that the US Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers, Northeast Region, special aggregate index of "services less medical care services" will be used to make the adjustments. For the biennium starting July 1, 2015, this inflation adjustment is an increase of 1.018%.

For FY2016 and FY2017, the base per pupil rate is \$3,561.27 per ADM. Adequacy includes an additional rate for certain students as follows:

- \$1,780.63 for a free or reduced-price meal eligible student. This determination is based on household income, not participation in a lunch program. Students from households receiving TANF or SNAP are automatically eligible. Others are certified if parents/guardians provide income information.
- \$1,915.86 for a special education student who has an individualized educational plan (IEP).
- \$696.77 for an English Language Learner receiving English Language instruction. Students who have advanced to the monitoring stage are not included.
- \$696.77 for each 3<sup>rd</sup> grade pupil whose achievement score on the state assessment for reading was below the proficient level, provided the student is not already counted in any of the above three categories. Students who did not take the test are not counted.

For each municipality, the cost of an opportunity for an adequate education is calculated by applying the base rate and applicable additional rates to the ADM of each student.

### **How Adequacy Grants are Determined**

#### Statewide Education Property Tax Assessment:

Each December, the Department of Revenue Administration determines the minimum tax rate needed to raise at least \$363 million from the Statewide Education Property Tax (SWEPT) for the following school year. The tax rate, rounded to the nearest one-half cent, is applied to equalized valuations without utilities. (RSA 76:3 and RSA 76:8.) Municipalities collect the SWEPT and send the total assessment amount directly to its school district(s). Within cooperative districts the assessment amount is credited to the individual towns. While municipalities are responsible for collecting and distributing this tax revenue, SWEPT is a state tax, not a local tax. For FY2017, a tax rate of \$2.345 per thousand will be applied to April 1, 2014 equalized values.

#### Preliminary Grant:

When the SWEPT assessment is subtracted from the cost of adequacy the balance is the preliminary grant. If SWEPT is more than the cost of adequacy then the preliminary grant is zero. As a result of the *Dover* ruling, each municipality's grant will be no less than this amount.

#### Stabilization Grant:

A new funding formula was enacted for FY2012. To ease the impact on municipalities facing a decrease in aid, the Legislature utilized a stabilization grant to cover the decreases. Not all municipalities received a stabilization grant in 2012. For FY17, the stabilization grant will be 96% of the 2012 amount. This grant is being phased out over 25 years by reducing the rate by 4% each year.

### Inclusion of Home-Schooled Course Credit:

Prior to the final payment of adequacy grants in April, the Department of Education will determine if the appropriation for adequacy aid is sufficient to allow for inclusion of an ADM credit of 0.15 for each enrollment is an academic course by a home-schooled student.

### Total Grant:

If the sum of a municipality's preliminary and stabilization grants is less than 160% of the previous year's (FY2016) total grant, then this year's total grant will be the greater of its preliminary plus stabilization grants or 95% of the FY2017 November 15, 2015 estimated grant.

If the sum of a municipality's preliminary and stabilization grants exceeds 160% of the previous year's (FY2016) total grant, then this year's total grant will be the greater of: its preliminary grant, 160% of its FY16 total grant, or 95% of the November 15, 2015 estimated grant.

As a result of the *Dover* decision, 2015 HB2 (276:258) is no longer applicable because the modified cap ensures all municipalities receive at least the cost of adequacy as defined by RSA 198:41, I and II. Since RSA 198:41, III (b) is scheduled to sunset on June 30, 2017, the cap of 160% of the prior year's grant will not be part of the formula for FY2018 Adequacy Aid.

## **Publication and Payment Schedule**

### Publication Schedule for Adequacy Aid

The first estimate is published on the November 15<sup>th</sup> that precedes the beginning of the fiscal year. ADM is estimated using data from the second preceding school year and applying adjustments for anticipated enrollment increases or decreases. This estimate is generally used to set school budgets.

The second estimate is made on October 1<sup>st</sup> of the fiscal year using preliminary ADM data for the previous year. This estimate is used by the Department of Revenue Administration to set school tax rates.

The final calculation is usually made by March using the prior year's ADM that has been closely reviewed. For FY2017, adjusted 2014-2015 school year ADM data will be used for the first estimate, and 2015-2016 data will be used for the second estimate and final determination.

### Grant Payment Schedule:

The first payment of 20% by September 1<sup>st</sup> is based on the first estimate. The second and third payments of 20% by November 1<sup>st</sup> and 30% by January 1<sup>st</sup> are based on the October 1<sup>st</sup> estimate. The final payment (of approximately 30%) is made by April 1<sup>st</sup> and based on finalized ADM data, including home-schooled students if applicable.