

### **FY2017 Estimated Adequate Education Aid**

In the 2015 legislative session, HB2 and SB151FN amended the formula for the calculation and distribution of Adequate Education Aid. Included in House Bill 2 are provisions for raising the cap from 108% to 160% for municipalities and for the gradual phasing out of the stabilization grant at 4% annually. In addition HB2 grants the authority to the Commissioner of the Department of Education to distribute any unexpended appropriations to capped communities after the final grant has been revised in March of 2017 for the April payment. Included in the Senate Bill is a provision for reimbursing communities for home educated students who are enrolled in an approved high school academic course. Each academic course shall count as an additional .15 to the base ADM calculation. Again the department shall only make grant payments for such pupils to the extent of available appropriations. These changes take effect with 2016-2017 school year. As such, please know these are strictly estimates. The Adequate Education Aid will be calculated at least three times.

1. These estimates are being calculated using the 2014-15 ADM data and include the change in Fall Enrollment by town between 2014-15 and 2015-16. This estimate will be used to pay the September 2016 payment.
2. The Adequate Education Aid will be recalculated for October 1, 2016 to provide revised estimates to the Department of Revenue for tax rate setting process. At this time aid will be calculated using the 2015-16 ADM. This revised estimate will be used to pay the November 2016 and January 2017 payments.
3. Prior to the fourth payment in April 2017, any corrections made to 2015-16 ADM reporting will be used and Adequate Education Aid will be recalculated a third time per RSA 198:42 I. At this time if appropriations are still available home educated ADM will be included in the final payment.
4. After the fourth payment in April 2017, the department shall distribute any unexpended appropriations to the capped communities subject to RSA 198:41 III(b). The unexpended appropriations shall be distributed based on the proportion of a municipality's average daily membership in relation the average daily membership of all such municipalities, but shall not exceed a municipality's uncapped amount.
5. Finally, any changes made to ADM reporting after the April payment but before the end of the school year, June 30, 2017, will be used for a final calculation of Adequate Education Aid. Any changes identified as part of this final calculation will be used to adjust the first payment in 2017-18.
6. Although the actual payments may vary from this original estimate, by law, the revised estimates and final payment will be no less than 95% of this initial grant estimate.

RSA 198:38 through 198:41 and RSA 198:46 as amended, specify how aid will be calculated and distributed.

### **Cost of an Opportunity for an Adequate Education**

#### Students:

These Estimated Cost of an Adequate Education has been calculated using FY2015 (**2014-15 school year as compiled on September 14, 2015**) data for students in grades kindergarten through grade 12 who were legal residents of New Hampshire. Additionally, the base ADM was adjusted in proportion to the change in enrollment from Oct 1, 2014 to Oct 1, 2015. Student ADM was included based upon the following parameters:

- Attended a school operated by their resident district
- Were tuitioned by the resident district to a district operated school in NH or another state, or
- Were tuitioned by the resident district to a non-public school, such as a special education program.
- Preschool students are not included.
- The cost for students attending charter schools is addressed in RSA 194-B:11.
- Students in Kindergarten are counted as no more than .50 ADM.

Average daily membership (ADM) has been used to count the students. A full time equivalent student who is enrolled in school for the entire year has an ADM of 1.00 and a student who transfers between schools is counted as a fractional ADM at each school.

The 2015-16 ADM will be used to determine the final Adequacy payments for the 2016-2017 school year. Since the ADM will not be known until after the 2016-17 school year begins, adjustments to these estimates will be made during the 2016-17 school year.

Additionally during the 2012 legislative session, SB372 established an education tax credit that can be used to pay for non-faith based private school and home school scholarships. Sixty-five percent of these scholarships during the 2015-16 school year must reduce the adequacy grants to towns. Therefore, further adjustments to these estimates will be made, as necessary, during the 2016-17 school year to reflect scholarship grants.

#### Cost of Adequacy by Municipality:

The Department of Education calculates the Cost of Adequacy for students in each district-operated public school in NH and for students who attend certain other schools, such as privately operated special education programs or public schools in bordering states. The Department then sorts the student ADM and their cost allocations by municipality of residence. Beginning with July 1, 2015 biennium, the Department of Education shall adjust the base per pupil cost and individual differentiated aid factors by the average change in Consumer Price Index for All Urban Consumers, Northeast Region, using the “services less medical care services” special aggregate index, as published by the US Bureau Labor Statistics. For the biennium starting July 1, 2015 that adjustment has been determined to be 1.018%. See RSA 198:40-d for a complete explanation.

The base per pupil cost is \$3,561.27 per ADM-R, but certain individual factors (differentiated aid) increase that cost per student. These factors and rates are as follows:

- \$1,780.63 for a free and reduced-price meal eligible student  
Free and reduced-price students are identified as any student enrolled in the Oct 1 Fall collection and identified in the related i4see:F&R collection and Direct Certification collection.
- \$1,915.86 for a special education student  
Special Education students are identified in the i4see: End of Year Sped Public submission.
- \$697.77 for an English Language Learner receiving English Language instruction  
ELL students are identified in the ESOL Fall data collection and include all students not yet advanced to a monitoring status.
- \$697.77 for each 3<sup>rd</sup> grade pupil who has not tested at proficient level or above in the reading component of the state assessment and who is not eligible to receive additional aid as a special education, English as a second language, or free or reduced-price meal eligible student. Grade 3 students who do not take NH assessment test are also excluded.

#### Statewide Education Property Tax Assessment:

In December, the Department of Revenue Administration notifies each municipality of the amount it must raise through the Statewide Education Property Tax (SWEPT) for the following school year. The Department first determines the rate needed to raise approximately \$363 million statewide. When applied to April 1, 2014 equalized valuations without utilities, the rate is \$2.345 per thousand. Each municipality must raise its proportional share of the total. The process is described in RSA 76:3 and RSA 76:8. Municipalities send the revenue raised by the Statewide Education Property Tax directly to school districts. Within cooperative districts the amount raised is credited to the individual towns.

#### Determination Preliminary Grants:

Each municipality's grant is determined by adding the base cost and any relevant factors to determine the Cost of Adequacy Aid, then subtracting the Statewide Education Property Tax assessment.

#### Determination of Estimated Adequate Education Grants for FY2017:

Beginning July 1, 2016, the Department of Education will distribute a total education grant to each municipality in an amount equal to the total preliminary grant for the fiscal year plus 96% the amount of the fiscal year 2012 stabilization grant, if any, distributed to the municipality.

Beginning July 1, 2016, the Department of Education will not distribute a total Adequate Education grant on behalf of all pupils who reside in a municipality that exceeds 160% of the total education grant distributed to such municipality in the previous fiscal year, FY2016(as of 10-01-15.) Because the FY2016 data has not yet been finalized the impact of the 160% will be recalculated prior to the April 2017 payment.

Districts will receive 20% of the estimated grant using the estimated 2015-16 ADM. Once the 2015-16 ADM has been finalized in September of 2016, Adequate Education Aid will be recomputed using the prior year ADM (15-16). The Commissioner will adjust the April payment to reflect the actual 15-16 ADM as well as changes due to the Education Tax Credit scholarships and home educated ADM.

The Commissioner of DOE shall adjust the April Adequate Education grant disbursement to the extent necessary to ensure that the total education grant for each school district is within 5 percent of the school district's estimated total education grant amount release on November 15, 2015.

#### Grant Payment Schedule:

Grant payment schedule is 20% by September 1, 20% by November 1, 30% by January 1, and 30% by April 1.