

FY 2023 Adequate Education Aid

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. Chapter 91, Sections 51, 322, and 323, Laws of 2021 also describe changes to the FY 2023 calculation.

Students:

Adequacy Aid is calculated using the Average Daily Membership (ADM) of the students who reside within a municipality. Any full-time student K-12 enrolled in school for the entire year has an ADM of 1.00. If a student moves mid-year, they are counted as a fractional ADM in each municipality. Pursuant to statute, the previous school year ADM (2021-2022) is used in calculating the current fiscal year (FY 2023) adequacy aid. However, Section 51 of House Bill 2 of the 2021 State Budget Session requires the Department of Education to consult with the Governor's Office and determine if ADM for Free and Reduced Price Meal eligible students needs to be modified in accordance with the methodology described in State law.

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.
- Preschool students are not included.
- Charter schools students are not included, except as provided for in RSA 194-B:11.
- Home school students enrolled in high school academic courses at the rate of 0.15 ADM per course, only if excess adequacy aid appropriations exist at the end of the year.

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, 2021, this inflation adjustment is an increase of 2.1%.

For FY2022 and FY2023, the base per pupil rate is \$3,786.66 per ADM. Adequacy includes an additional rate for certain students as follows:

- \$1,893.32 for a free or reduced-price meal (F&R) eligible student. This eligibility 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.
- \$2,037.11 for a special education (SPED) student who has an individualized educational plan (IEP).

- \$740.87 for an English Language Learner (ELL) receiving English Language instruction. Students who have advanced to the monitoring stage are not included.
- \$740.87 for each 3rd 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.

Calculating ADM for FY 2023

The ADM used for FY 2023 will be school year 2021-2022 with the exception of F&R ADM. The Governor authorized the Department to modify the F&R ADM being used in the FY 2023 formula. The modification was calculated by first determining the percent of F&R ADM relative to total ADM for school year 2019-2020. This percentage was applied to the total ADM for school year 2021-2022 to arrive at a modified F&R ADM for 2021-2022. The newly modified F&R ADM for 2021-2022 was compared with school year 2021-2022 actual F&R ADM, and the greater of the two numbers was used in the formula.

How Adequacy Grants are Determined

Statewide Education Property Tax Assessment:

Pursuant to Statute, 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. However, for FY 2023 the minimum amount needed to be raised is set to \$263 million in State law, \$100 million less than the typical amount set in statute. This reduction in the amount needed to be raised is set to only occur in FY 2023 under current law. The tax rate, rounded to the nearest one-half cent, is applied to equalized valuations without utilities to achieve the minimum amount needed to be raised by the State. (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 FY2023, a tax rate of \$1.230 per thousand will be applied to April 1, 2020 equalized values.

Relief Aid:

The Relief Aid grant is an additional grant for municipalities based on the percentage of F&R eligible ADM relative to the total ADM. Eligibility starts at 12% F&R eligible with a grant equal to \$150 per F&R student. The grant then increases by 12.5 cents (i.e., \$0.125) for each additional .01% increase in F&R percentage (e.g., 12.01% has \$150.125 grant). At 48 percent F&R eligible, the grant amount reaches a maximum of \$600 per F&R ADM. The Relief Aid Grant is prorated to \$17.5 million based on each municipality's percentage of the statewide Relief Grant award as initially calculated.

Extraordinary Needs Grant

The Extraordinary Needs Grant is an additional grant for municipalities based on the equalized property value over the number of F&R eligible students (EVFRP). The municipality's equalized valuation includes utilities but excludes railroad properties and payments in lieu of taxes. This equalized valuation

measurement is divided by the number of F&R eligible students to get the EVFRP for each municipality. If the EVFRP is over \$6 million, then no Extraordinary Needs Grant will be awarded. If the EVFRP is under \$1 million, then the grant will be calculated by multiplying each F&R eligible pupil by \$600. A municipality with an EVFRP between \$1 million and \$6 million will have a grant equal to \$0.00013 for each dollar above \$1 million per F&R pupil. This grant will only be awarded if the district completes an accountability plan on how they plan to use the funding to increase student outcomes. Districts will have until 9/30/2022 to opt out of receiving this grant and completing an accountability plan.

Preliminary Grant Plus Relief Aid & Extraordinary Needs Grant:

When the SWEPT assessment is subtracted from the cost of adequacy, the balance is the preliminary grant. Next, the Relief Aid grant and Extraordinary Needs grant are added. If SWEPT is more than the cost of adequacy, then the preliminary grant is zero.

SWEPT Reduction Hold Harmless Grant

A SWEPT Reduction Hold Harmless Grant is provided to municipalities that receive less of a total education grant when the new SWEPT amount raising \$263 million statewide is compared to the SWEPT amount when \$363 million is raised statewide. This is determined by first calculating the total education grant using the \$263 million SWEPT grant. The total education grant is the preliminary grant, plus relief aid and SWEPT. The SWEPT reduction hold harmless grant is determined by comparing the calculated total education grant when \$263 million is raised statewide to the total grant award if \$363 million was raised statewide, the larger of the two calculations is used for determining the total education grant and the difference is considered the SWEPT Reduction Hold Harmless Grant.

Stabilization Grant:

When a new funding formula was enacted for FY 2012, 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 FY 2023, the stabilization grant will be 100% of the 2012 amount. The stabilization grant is paid in addition to the total education grant.

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 allocated in the state budget for adequacy aid is sufficient to allow for inclusion of an ADM credit of 0.15 for each enrollment in an academic course by a home-schooled student.

Final Grant:

A municipality's final grant is the sum of its preliminary and stabilization grants. For the final calculation in April 2023, the total grant will be no less than 95% of the November 15, 2021 estimate.

Publication and Payment Schedule

Publication Schedule for Adequacy Aid:

The first estimate is published on the November 15th 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 September 1st of the fiscal year using preliminary ADM data for the previous school 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 FY2023, the Department will seek the Governor's authorization to determine if F&R ADM will exclusively use prior year ADM or a modified amount.

Grant Payment Schedule:

The first payment of 20% by September 1st is based on the first estimate from the Nov 15th of the previous year. The second and third payments of 20% by November 1st and 30% by January 1st are based on the October 1st "final" estimate. The final payment (of approximately 30%) is made by April 1st and based on finalized ADM data.