

NH Department of Education
Division of Program Support
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FY08 Adequate Education Aid

Two bills from the 2007 legislative session modified this state aid program. HB 927 changed the name from “Equitable Education Aid to “Adequate Education Aid.” Section XVII of HB 2 (<http://www.gencourt.state.nh.us/legislation/2007/HB0002.html>) is a special provision for determining Adequate Education Aid grants for FY08 and FY09 only. Because HB 2 is a session law, the provisions will not found in the Revised Statutes Annotated (RSA).

HB 2

The special provision for FY08 is that each municipality’s grant shall be the greater of the FY06 grant multiplied by 105% or the FY08 grant calculated per RSA 198:38-198:41 multiplied by 94.6596522%. The FY09 grant will be the same as FY08.

RSA 198:38-198:41

The initial grant calculation for FY08, before applying the 94.6596522% adjustment, is as follows:

Three independent calculations are made to determine each town’s state aid allocation. Eligibility requirements for each component limit aid to those towns with the greatest need. One component of “Need” is a town’s ability to raise revenue for schools and is measured by the town’s equalized valuation per pupil. Equalized valuation represents the fair market value of residential and commercial property and includes a value for current use land that is reflective of the tax revenue generated by that property.

The Local Tax Capacity Component and the Targeted Aid Component use equalized valuations that include utility properties and are the basis for the local school tax assessments. The Statewide Tax Capacity Component and the Statewide Enhanced Education Tax assessment use equalized valuations that do not include utilities. (Utility properties pay a special utility tax directly to the state.)

For the FY08 calculation, a town’s base grant must be at least 85% of the grant received for FY06.

Local Tax Capacity Component:

This component uses:

- Average Daily Membership in Residence (ADM-R) for FY05 (04-05 school year).
- The local tax base for FY05 (4/1/04 equalized valuation including the utility properties).
- The statewide average local education tax rate for FY05.

Only towns that have an equalized valuation per pupil that is below the state average are eligible for aid within this component. The difference between the local equalized valuation per pupil and the state average is determined. This amount is multiplied by the state average local education tax rate to derive a per pupil aid amount for the town. In essence, the aid allocated makes up the difference between the per pupil amount this town could have raised at the average tax rate of \$7.80 and the \$5,783 per pupil that the average town could have raised. The formula is based on capacity, and there is no requirement that towns set a certain tax rate to qualify for aid.

Statewide Tax Capacity Component:

This component uses:

- ADM-R for FY05.
- The tax base for the FY08 Statewide Enhanced Education Tax (4/1/05 equalized valuation without utility properties).
- A Statewide Enhanced Education Tax rate sufficient to raise \$363 million for FY08 (\$2.240 per thousand).

This component uses the same formula as the Local Equalization Component for comparing the town's ability to raise revenue to the state average. It also restricts aid to only those towns that have an equalized valuation per pupil that is below the state average. Each town's capacity to raise revenue from the Statewide Enhanced Education Tax is compared to the average town's capacity to raise \$1,824 per pupil at the rate of \$2.240.

Targeted Aid Component:

This component provides aid for three types of students and for transportation, and uses:

- ADM-R of the municipality for FY05.
- The local tax base (4/1/04 equalized valuation including the utility properties) for FY05.
- The statewide average per pupil amount raised from the local school tax for FY05.
- Three categories of students:
 - Special education students with IEPs.
 - Students eligible for free or reduced price lunches. (The family income must be less than 185% of the federal poverty limit.)
 - Students with a limited proficiency in English receiving at least 200 minutes of English instruction per week.
- Appropriations of \$100 million for special education students and \$115 million for students eligible for free or reduced price lunches.

Towns are eligible for aid in this component if their equalized valuation per pupil and their median family income are both no more than 50% above the state average. (Individual students may be counted in more than one category.)

The per pupil targeted aid amount for special education and low income students is computed by dividing each appropriation by the total ADM of students from eligible towns. For FY08 the per pupil amount for special education is \$3,858.6499 and the amount for free and reduced lunch eligible is \$3,681.5315. Aid for these students is allocated to the town of residence. Eligible towns also receive a transportation allocation for every student that is computed by multiplying the total ADM-R by \$190.

The per pupil amount for students with a limited English proficiency is \$1,000. This is allocated to the town(s) operating the schools attended by the limited English proficient students.

Total FY08 Base Grant:

Aid from each of the three components is added together. For FY08, if this total is less than 85% of the grant payment received from the state in FY06, then a transition grant to bring the town up to the 85% level is added to the total.

Final HB 2 Grant Determination

For each municipality, its FY06 grant multiplied by 105% is compared to its FY08 base grant multiplied by 94.6596522%. The final grant is the greater of the two. The FY09 grant will be the same as FY08.

The final grant will be sent to districts: 20% by September 1, 20% by November 1, 30% by January 1, and 30% by April 1. Within cooperative school districts all other revenues are subtracted from the budget, and the balance is apportioned between the towns based on the cooperative articles of agreement. After that apportionment, Adequacy Aid grants are credited to individual towns.

Statewide Enhanced Education Tax Assessment

In addition to grant payments from the state, towns turn over to school districts the revenue raised by the Statewide Enhanced Education Tax. Within cooperative districts the amount raised is credited to the individual towns. If the Statewide Enhanced Education Tax to be raised by a town for FY08 exceeds the amount needed to fund the FY08 school budget after all other revenues have been applied, then the town must return the excess to the state. The amount of excess is determined by the Department of Revenue Administration when tax rates are set in the fall, and the excess must be returned to the state by March 15th.

Revenue Administration determines the Statewide Enhanced Education tax rate needed to raise approximately \$363 million, and every December it notifies each town of the amount the town will be required to raise for the following school year.

The amount of Statewide Enhanced Education Tax to be raised by each town for FY08 was determined by applying a rate of \$2.240 per thousand to the 4/1/05 equalized valuations without utilities.

Total State Aid for an Adequate Education

Total state aid is the sum of the final grant plus the amount raised by the Statewide Enhanced Education Tax less any excess remitted to the State.