

Estimated FY10 Transition Adequate Education Aid

In the 2008 legislative session, SB539 modified Adequate Education Aid and created the Fiscal Capacity Disparity Aid program. These changes take effect beginning with aid for the 09-10 (FY10) school year. A transitional provision for FY10 and FY11 moderates increases and decreases when compared to FY09. RSA 198:38 through 198:41, and RSA 198:46 specify how aid will be calculated and distributed.

Cost of an Opportunity for an Adequate Education

Students:

The Cost of an Adequate Education has been calculated using FY07 (06-07 school year) data for students in grades kindergarten through grade 12 who were legal residents of New Hampshire and:

- 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.
- Charter school students are not included.
- Home schooled students, even those taking a few courses at a public school, are not included.
- Preschool students are not included.

Average daily membership (ADM) has been used to count the students. A student who is enrolled in school for the entire year has an ADM of 1.00. Students who transfer between schools are counted as a fractional ADM at each school. Half-day kindergarten students are counted as 0.50 and full-day kindergarten students are counted as 1.00.

Adequacy Cost:

Cost is computed per ADM. The base per pupil cost is \$3,450, but certain school and individual factors increase that cost.

The percentage of students eligible for free/reduced priced school lunch (F/R) is the only school factor. This allocation, specified as differentiated aid, is allocated only when the F/R rate is 12% or more. The F/R rate is calculated using students in grades 1-12 identified as eligible in October. All students in kindergarten through grade 12, not just those eligible for F/R, are allocated differentiated aid based on the following differentiated rates:

- F/R rate of 12.00% to 23.99%, \$863
- F/R rate of 24.00% to 35.99%, \$1,725
- F/R rate of 36.00% to 47.99%, \$2,588
- F/R rate of 48.00% or more, \$3,450

Cost of Adequacy student factors and rates are:

- \$1,856 for a special education student
- \$675 for an English Language Learner receiving English Language instruction
- \$431 for a kindergarten through grade 12 student eligible for free/reduced priced school lunch attending a school where the F/R was less 12%

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 that attend other schools, such as privately operated special education programs or public schools in bordering states. The Department then sorts those students and their cost allocations by municipality of residence.

Fiscal Capacity Disparity Aid:

Fiscal Capacity Disparity Aid, which is separate from Adequacy, is allocated to municipalities with the lowest capacity to raise property tax revenue as long as the municipality's Median Family Income (from the most recent US Bureau of the Census) is less than the state average.

Each municipality's equalized valuation per pupil is computed by dividing the FY07 local tax base (4/1/06 equalized valuation including the utility properties) by the FY07 Average Daily Membership of resident students (ADM-R). The ADM-R used for Fiscal Capacity Disparity includes grades kindergarten -12 but counts only the first ½ day of full-day kindergarten students. It also includes charter school students. Provided the municipality's median family is below the state average, aid for the 29 municipalities with the lowest equalized valuation per pupil is \$2,000 per student, and aid for the 30 next lowest municipalities is \$1,250 per student.

Statewide Education Property Tax Assessment:

Each 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 does this by first determining the rate needed to raise approximately \$363 million statewide. When applied to 4/1/07 equalized valuations without utilities, the rate is \$2.135 per thousand. Each municipality must raise its proportional share of the total. This 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. If the Statewide Education Property Tax to be raised by a municipality for FY10 exceeds the amount needed to fund the FY10 school budget after all other revenues have been applied, then the municipality 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.

Determination of Transition Grants:

Each municipality's preliminary grant is determined by adding the Cost of Adequacy and Fiscal Capacity Disparity Aid, then subtracting the Statewide Property Tax assessment. This amount is capped at 115% of the FY09 grant.

The second step is to calculate Total State Aid by adding the Statewide Property Tax assessment and the preliminary grant. If this amount is less than the FY09 SWEPT assessment plus grant, then the municipality is allocated a hold harmless grant equal to the difference.

The FY10 Transition Grant is equal to the adjusted preliminary grant plus the hold harmless grant. The grant payment schedule is 20% by September 1, 20% by November 1, 30% by January 1, and 30% by April 1.

State Aid:

State Aid is the sum of the Transition Grant payment and the Statewide Education Property Tax revenue received from the municipality.

FY11 Transition Grant:

For FY11 the Cost of Adequacy and Fiscal Capacity Disparity Aid will not change. Since the Statewide Property Tax assessment will be slightly different, transition grants will be slightly different.