

FY06 Equitable Education Aid

HB 616, passed in 2005, changed the formula for providing a basic allocation for elementary and high school students.

FY00 to FY05 Aid Calculation:

From FY00 to FY05 the aid allocated to each town was its “total cost of adequacy”. To determine aid, the first step was to calculate the state average “base cost per pupil”. From FY00 through FY03 the base cost was determined by a formula that considered actual expenditures by a group of districts with mid-range performance on the NH Education Improvement and Assessment Program test. The FY04/05 base cost was determined by applying an inflation factor to the FY03/04 base cost.

As a minimum, each town was allocated the base cost per pupil for each elementary and high school student. Depending on the year, the “total cost of adequacy” included supplemental allocations for high school students, special education students, low income students and transportation. The FY04 formula included a supplement for towns with a low property tax base (measured by equalized valuation per pupil). Each town received its total cost from a combination of the locally collected Statewide Education Property Tax and a grant payment from the state. If the amount raised locally by the Statewide Education Property Tax exceeded the calculated “total cost of adequacy”, the town sent the excess to the state.

FY06

In the new formula, 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. “Need” is a determination of the 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 Equalization Component and the Targeted Aid Component use equalized valuations that include utility properties and are the basis for the local school tax assessments. The Enhanced Equalization 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 FY06 calculation only, a town’s grant must be at least 85% of the grant received for FY05.

Local Equalization Component:

This component uses:

- Average Daily Membership in Residence (ADM-R) for FY03 (02-03 school year).
- The local tax base for FY03 (4/1/02 equalized valuation including the utility properties).
- The statewide average local education tax rate for FY03.

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 what this town could raise at the average tax rate and what the average town could raise. (There is no requirement that towns set a certain tax rate to qualify for aid.)

Enhanced Equalization Component:

This component uses:

- ADM-R for FY03.
- The tax base for the FY06 Statewide Enhanced Education Tax (4/1/03 equalized valuation without utility properties).
- A Statewide Enhanced Education Tax rate sufficient to raise \$363,000,000 for FY06 (\$2.840 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.

Targeted Aid Component:

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

- ADM-R of the municipality for FY03.
- The local tax base (4/1/02 equalized valuation including the utility properties) for FY03.
- The statewide average per pupil amount raised from the local school tax for FY03.
- 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 5 hours of English instruction per week.

Towns are eligible for aid in this component if their equalized valuation per pupil and their median family income are both below the state average or 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 based on the state average per pupil amount raised from the local education tax. This amount is reduced by 5% to compensate for the fact that students can be counted in more than one category. For FY06 aid the amount is \$3,917. Aid for these students is allocated to the town of residence. Eligible towns also receive a transportation allocation for all students 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) within the district the student attends.

Total State Grant:

Aid from each of the three components is added together. For FY06 only, if this total is less than 85% of the grant payment received from the state in FY05 then a transition grant to bring the town up to the 85% level is added to the total.

This total is 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, Equitable Education Aid is 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 FY06 exceeds the amount needed to fund the FY06 budget after all other revenues have been applied, then the town must send the excess. The amount of excess is determined by Revenue Administration when tax rates are set in the fall, and the excess must be returned to the state by March 15th. (See footnote.)

Each December the Department of Revenue Administration determines the Statewide Enhanced Education tax rate needed to raise approximately \$363,000,000, and notifies each town of the amount it will be required to raise for the following school year.

The amount of Statewide Enhanced Education Tax to be raised by each town for FY06 was determined by applying a rate of \$2.840 per thousand to the FY04 (4/1/03) equalized valuations without utilities.

Total State Equitable Education Aid

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

Footnote: HB100 adopted in 2006 revised the excess calculation.