



## NEW HAMPSHIRE

### Description of the Adequate Education Aid Formula

NH Department of Education, Office of the Commissioner, November 15, 2013

In the 2012 legislative session, SB401FN amended the formula for the calculation and distribution of Adequate Education Aid. Included in the Senate Bill was the definition of “determination year” for the purpose of calculating Adequate Education grants. It also authorizes the Commissioner of the Department of Education (see RSA 198:42 I - Distribution Schedule of Adequate Education Grants) to make adjustments in Adequate Education grants based on variation in the average daily membership data. These changes took effect with 2013-2014 school year. As such, please know these are strictly estimates. The Adequate Education Aid will be calculated at least four times.

1. These estimates are being calculated using the 2012-13 ADM data and include the change in Fall Enrollment between 2012-13 and 2013-14. This estimate will be used to pay the first two payments in 2014-15.
2. The Adequate Education Aid will be recalculated prior to the third payment in January 2015. At this time aid will be calculated using the 2013-14 ADM.
3. Prior to the fourth payment in April 2015, any corrections made to 2013-14 ADM reporting will be used and Adequate Education Aid will be recalculated a third time.
4. Finally, any changes made to ADM reporting after the April payment but before the end of the school year, June 30, 2015, 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 2015-16.

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:

This Estimated Cost of an Adequate Education has been calculated using FY2013 (2012-13 school year as compiled on October 18, 2013) 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, 2012 to Oct 1, 2013. 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.
- Were home schooled. Even those taking a few courses at a public school are not included.
- Preschool students are not included.
- The cost for students attending charter schools is addressed in RSA 194-B:11.

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. Kindergarten students are counted as no more than .50.

As described above, with the passage of SB401, the 2013-14 ADM will be used to determine the final Adequacy payments for the 2014-2015 school year. Since the ADM will not be known until after the 2014-15 school year begins, adjustments to these estimates will be made during the 2014-15 school year.

Additionally, SB372 has established an education tax credit that can be used to pay for non-faith based private school and home school scholarships. Seventy percent of these scholarships during the 2014-15 school year must reduce the adequacy grants to towns. Therefore, further adjustments to these estimates will be made, as necessary, during the 2014-15 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.

The base per pupil cost is \$3,498.30 per ADM-R, but certain individual factors (differentiated aid) increase that cost per student. These factors and rates are as follows:

- \$1,749.15 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.
- \$1,881.98 for a special education student  
Special Education students are identified in the i4see:Sped Public submission.
- \$684.45 for an English Language Learner receiving English Language instruction  
ELL students are identified in the ESOL Fall data collection.
- \$684.45 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, 2012 equalized valuations without utilities, the rate is \$2.48 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 FY2015:

Beginning July 1, 2013, 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 the amount of the fiscal year 2012 stabilization grant, if any, distributed to the municipality. Please note, the 2012 Stabilization grant was recalculated base upon corrections to account for changes in reporting ADM and inclusion of all ELL students in grades K-12. This did not have any impact on the 2012-13 payments, but does impact the 2013-2014 and future Adequacy Education Payments.

Beginning July 1, 2013, the Department of Education will not distribute a total Adequate Education grant on behalf of all pupils who reside in a municipality that exceeds 108% of the total education grant distributed to such municipality in the previous fiscal year, FY2014(as of 11-07-13.) Because the FY2014 data has not yet been finalized the impact of the 108% will be recalculated prior to the January 2015 payment.

Districts will receive 70% of the estimated grant using the estimated 2013-14 ADM. Once the 2013-14 ADM has been finalized, Adequate Education Aid will be recomputed using the prior year ADM (13-14). The Commissioner will adjust the January and April payments to reflect the actual 13-14 ADM as well as changes due to the Education Tax Credit scholarships.

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, 2013.

Grant Payment Schedule:

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

## **District-Based Components**

### **Density/Sparsity of Small Schools**

Does not apply.

### **Grade Level Differences**

Does not apply.

### **Declining Enrollment or Growth**

Does not apply.

### **Capital Outlay and/or Debt Service**

For single town districts the State pays 30% to 60% of annual payment of bonded eligible principal for approved construction and renovation projects. For cooperative districts, receiving district operating an area school, or joint maintenance agreements (multi-town) annual payment ranges from 40% to 60%. For multi-town districts the rates are based on the number of towns within the cooperative district and the equalized valuation per pupil and median family income of those towns. The percentage of the annual payment for is then normalized using the average daily membership in residence for each town. Limitations based on capacity needs and a maximum allowable per square foot rate apply to both renovations and new construction. For the 2015 fiscal year the State Building Aid Program total debt payments to schools for completed projects is on the order of \$42,000,000.

### **Transportation**

See transportation component below for career and technical education students.

### **Charter Schools**

Charter School Tuition for schools approved by the state board of education. See NH RSA 194:B-11- Chartered Public School Funding. See the enclosed link for a description: <http://www.gencourt.state.nh.us/rsa/html/NHTOC/NHTOC-XV-194-B.htm>

## **Student-Based Components**

### **Special Education**

See Adequacy Aid component above for students identified as special needs students. Also, Catastrophic Aid for high cost students. The state pays 100% of cost above 10 times the state average current expenditure per pupil, and 80% of the cost between 3.5 and 10% the state average per NH RSA 186-C:18.

### **Low Income / Comp Ed / At-Risk**

See Adequacy Aid component above for free or reduced-price meal eligible students.

### **English Language Learner/Bilingual Education**

See Adequacy Aid component above for ELL students

### **Gifted and Talented Education**

Does not apply.

### **Career and Technical Education**

See NH RSA 188:E-7 tuition thru RSA 188:E-9 for a description of this program. See the enclosed link for a description: <http://www.gencourt.state.nh.us/rsa/html/NHTOC/NHTOC-XV-188-E.htm>

### **Preschool Education**

Does not apply.

## **Revenue and Expenditure Information**

### **State Mandates Restricting Revenue or Expenditure Increases**

Some NH school districts have adopted a Local Tax Cap. See the enclosed link for a description:  
<http://www.gencourt.state.nh.us/rsa/html/iii/32/32-5-c.htm>

### **Property Assessment Ratios Used/Legal Standards For Property Assessment**

The state Department of Revenue Administration requires towns to conduct revaluations if equalization ratios exceed standards. The Assessment and Equalization Standards Board provides oversight.

### **Measure of Local Ability To Support Schools**

The municipality's equalized valuation per pupil and median family incomes are used to calculate the percentage of the eligible construction or renovation costs to be paid by the State's School Building Aid program.

### **School District Budget and Tax Rate Procedures/Sources of Local Revenue**

There are a small number of dependent school districts, and primarily independent school districts. For dependent districts, the city council approves the annual budget and any increases thereto. For independent districts, school budgets must be approved annually by the voters. Local revenues for schools are derived exclusively from local property taxes.

### **State Support for Nonpublic Schools**

As required by federal regulations.