

Franklin NH Education Forum

Financial Briefing

How our Schools are Funded by the City and State

Frank Lossani, City Finance Director

Judie Milner, City Manager

Franklin NH Education Forum

- **WHERE DID WE COME FROM?**
- **HOW DID WE GET HERE?**
- **WHERE ARE WE NOW?**
- **WHAT CAN WE DO?**

MY INTRODUCTION

Chief Financial Officer/Chief Operating Officer with 40 years experience (25 years serving non-profit organizations and 15 years working in for-profit corporations). The last 10 years have been spent supporting people with developmental disabilities, in two different private nonprofit schools.

Non-profit School Experience:

- Spaulding Youth Center – Day School and Residence
- Crossroads School – Day School
- St. Pauls – Private School
- Second Start – Social Services Specialty School

Non-profit Membership Organizations:

- New Hampshire Bar Association – Professional Membership Association
- New Hampshire Bar Foundation – Charitable Arm of the NH Bar Association
- Audubon Society – Conservation/Membership Organization
- Legal Advice & Referral Center – Statewide Legal Assistance

WHERE DID WE COME FROM?

Claremont School District v Governor of New Hampshire

Are Important Legal Cases in NH

**Concerning the Funding of a Constitutionally Adequate Education
System**

in the State of New Hampshire

WHERE DID WE COME FROM?

Claremont I – In 1991, the Claremont lawsuit was brought on behalf of five school districts (Claremont, Allenstown, Pittsfield, Franklin, Lisbon) that could not afford to properly fund their schools based on local property taxes.

Claremont II - In 1993, the NH Supreme Court interpreted Part II, Article 83 of the NH Constitution to guarantee students a right to a public education. In 1997, the New Hampshire school funding system was found unconstitutional and the legislature and governor were ordered to define the components of a constitutionally adequate education, cost them out and pay for them with taxes that were equal across the state.

Important excerpts from Claremont II:

“The amount of revenue that a school district raises is dependent upon the value of the property in that district. This point can be illustrated by a comparison of petitioner district Franklin and its comparison district Gilford. **In 1994, Franklin's "equalized property value" (property assessed at 100% of fair market value) per student was \$183,626, while Gilford's equalized property value per student was \$536,761.** As a result, "property rich" Gilford had a significantly greater assessed value upon which taxes could be imposed for the support of its schools than did Franklin. Gilford raised more money per student than Franklin, even while taxing its residents at lower rates”.

WHERE DID WE COME FROM?

An Illustration of Property Poor vs Property Rich			
Tax Rate to Support Education			
Community	Assessed Value per Pupil*	Tax Rate**	Average Household Annual Tax Payment
Franklin	183,626	27.23	\$ 4,765
Gilford	536,761	9.32	\$ 1,630
*1994 assessed values			
**assumes \$5,000 cost per pupil			
*** assumes average home value of \$175,000			

WHERE DID WE COME FROM?

**ADEQUATE EDUCATION MONEY STARTED COMING FROM THE STATE IN
1998
AS A RESULT OF CLAREMONT II**

FRANKLIN'S ACTUAL LOCAL TAX RATE WENT FROM

\$21.17 to \$8.28

(FY2017 – the School Local property tax w/o Adequacy from the State = \$24.40)

HOW DID WE GET HERE?

“The New Hampshire Supreme Court held that education is a fundamental right, and the State has “the duty to ensure that the public schools achieve their object and...provide an education to all its citizens and that it support all public schools.”

Adequacy Formula FY2011:

New Hampshire Department of Education												
Estimated FY10 Transition Adequate Education Aid												
Municipal Summary of Adequacy Aid, Fiscal Disparity Aid and Transition Grant												
	FY09 Grant	FY09 SWEPT	FY09 Cost of Adequacy (Grant + SWEPT)	FY10/11 Calculated Cost of Adequacy	FY10/11 Fiscal Disparity Aid	State-Wide Education Property Tax @ 2.135 (1)	Calculated Grant = FY10/11 Calcu- lated Cost plus Fiscal Disparity Less SWEPT	Prelim Grant = Calculated Grant Capped @ FY09 Grant X 115%	Hold Harm- less Grant if Prelim Grant plus SWEPT Less than FY09 Cost	FY10 Transition Grant = Prelim Grant plus Hold Harmless Grant	ADM	Per Pupil
State Total	527,360,567	363,653,009	891,013,576	921,443,751	47,893,278	363,165,834	622,508,926	549,632,725	27,964,417	577,597,142		
Rochester	19,528,790	5,221,900	24,750,690	25,076,450	5,311,063	5,118,107	25,269,406	22,458,109	0	22,458,109	4271	5,258
Claremont	10,863,620	1,842,885	12,706,505	11,035,387	3,707,460	1,858,077	12,884,770	12,493,163	0	12,493,163	1854	6,738
Berlin	9,466,578	860,935	10,327,513	8,816,828	2,760,960	835,738	10,742,050	10,742,050	0	10,742,050	1209	8,885
Franklin	7,397,102	1,438,412	8,835,514	8,486,991	2,586,440	1,425,703	9,647,728	8,506,667	0	8,506,667	1236	6,882

HOW DID WE GET HERE?

FY2010 / FY2011 How Aid as Determined Excerpts:

Adequacy 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 thru grade 12 student eligible for free/reduced priced school lunch attending a school where the F/R was less 12%

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 U.S. 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.

HOW DID WE GET HERE?

Change in Funding Formula Beginning in FY2012:

New Hampshire Department of Education																		
Bureau of Data Management - FY12 Adequate Education Aid																		
				Free or Reduced Differentiated Aid	SPED	ELL	SPED Differentiated Aid	ELL Differentiated Aid	Grade 3 Reading Not Prof.	Grade 3 Reading Diff. Aid	Total Calculated Cost of an Adequate Education \$	SWEPT @ \$2.325	FY2012 Preliminary Grants = Cost - SWEPT	FY2011 Grants	FY2012 Grants Adj. for Cap and Stabilization	Stabilization	Stabilization per pupil	
	Membership ADM	Base Adequacy \$3,450	F & R ADM	\$1,725	ADM	ADM	\$1,856	\$675	ADM	\$675								
	State Total	189,276	653,002,018	38,510	66,430,540	30,253	3,046	56,149,880	2,056,226	1,031.50	696,271	778,334,935	363,121,283	438,884,243	578,236,605	578,236,605		
	Manchester	13,994	48,279,438	5,843	10,078,451	2,489	1,080	4,619,807	729,196	86.80	58,590	63,765,482	19,688,664	44,076,818	56,761,263	56,761,263	12,684,445	906.42
	Rochester	4,189	14,450,670	1,548	2,670,404	863	26	1,601,134	17,550	9.99	6,743	18,746,501	5,070,310	13,676,191	22,458,109	22,458,109	8,781,918	2,096.62
	Derry	6,064	20,921,870	982	1,693,553	1,055	65	1,958,952	44,172	46.68	31,509	24,650,056	6,123,642	18,526,414	27,194,827	27,194,827	8,668,413	1,429.41
	Claremont	1,811	6,249,330	658	1,134,722	368	14	683,231	9,700	6.95	4,691	8,081,674	1,873,343	6,208,331	12,493,163	12,493,163	6,284,832	3,469.60
	Berlin	1,288	4,442,324	570	982,750	295	-	546,889	-	4.73	3,193	5,975,156	713,900	5,261,256	10,756,851	10,756,851	5,495,595	4,267.99
	Nashua	11,806	40,730,597	3,657	6,307,894	1,756	651	3,258,765	439,574	48.21	32,542	50,769,372	19,636,751	31,132,621	35,998,972	35,998,972	4,866,351	412.19
	Franklin	1,257	4,336,029	621	1,070,708	201	8	372,592	5,515	2.16	1,458	5,786,302	1,316,652	4,469,650	8,506,667	8,506,667	4,037,017	3,212.09

HOW DID WE GET HERE?

FY 2012 How Aid as Determined Excerpts:

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 those students and their cost allocations by municipality of residence.

The base per pupil cost is \$3,450 per ADM-R, but certain individual factors (differentiated aid) increase that cost per student. These factors and rates are as follows:

- \$1,725 for free and reduced-price meal eligible student
- \$1,856 for a special education student
- \$675 for an English Language Learner receiving English Language instruction
- \$675 for each 3rd 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.

Determination of Adequate Education Grants for FY12 and FY13:

- For the biennium ending June 30, 2013, the Department of Education shall not distribute a total education grant on behalf of all pupils who reside in a municipality that exceeds that municipality's total education grant in the second year of the previous biennium, FY11.
- For fiscal year FY 12 and FY13, the Department of Education shall identify all municipalities in which the FY12 total education grant will be less than the FY11 total education grant. Those identified municipalities shall receive a stabilization grant equal to 100 percent of the decrease.

HOW DID WE GET HERE?

Change in Legislation for Reduction in Stabilization starting in FY2017:

New Hampshire Department of Education FY2017 Municipal Summary of Adequate Aid													
	15-16 Membership ADM	Base Adequacy \$3,561.27	F & R ADM	Free or Reduced Differentiated Aid \$1,780.63	SPED ADM	ELL ADM	SPED Diff. Aid \$1,915.86	ELL Diff. Aid \$696.77	Grade 3 Reading Not Level 1 ADM	Grade 3 Reading Diff. Aid \$696.77	Home School Academic ADM	Home School Academic Aid 3,561.27	Total Calculated Cost of an Adequate Education \$
State Total	169,793.46	604,680,355	47,446.16	84,484,056	27,560.75	3,851.52	52,802,539	2,683,624	812.89	566,397.41	37.66	134,117.40	745,216,971
Manchester	12,986.22	46,247,436	7,399.59	13,175,932	2,341.94	1,400.48	4,486,829	975,812	79.88	55,657.99	1.92	6,837.64	64,948,505
Rochester	3,992.05	14,216,768	1,831.68	3,261,544	851.14	35.27	1,630,665	24,575	14.95	10,416.71	1.95	6,944.48	19,150,914
Derry	5,100.61	18,164,649	1,175.10	2,092,418	918.27	69.19	1,759,277	48,210	37.23	25,940.75	-	-	22,090,495
Claremont	1,660.81	5,914,593	836.17	1,488,909	315.82	13.71	605,067	9,553	9.41	6,556.61	-	-	8,024,678
Berlin	1,073.13	3,821,706	597.14	1,063,285	247.30	5.00	473,792	3,484	9.09	6,333.64	-	-	5,368,601
Nashua	10,793.31	38,437,891	4,515.56	8,040,542	1,723.96	792.97	3,302,866	552,518	32.21	22,442.96	2.37	8,440.21	50,364,700
Franklin	1,067.24	3,800,730	604.03	1,075,554	182.14	5.00	348,955	3,484	6.00	4,180.62	-	-	5,232,903
			RSA 198:41 IV. (b)	RSA 198:41 IV. (d) If Cost of Adequacy < SWEPT then FY12 Stabilization @	FY2016 Total Final Grant as of 3-14-16	Cap of Previous Year's 2016 Final Grant X	Preliminary + Stabilization (Capped =160% of FY16 Total Grant)	FY2017 First Estimate on 11-15-15	Minimum First FY17 Estimate as of 11-15-15 X	Greater of Preliminary Grant, Capped Preliminary + Stabilization, or 95% of First Estimate	Stabilization reduction per year	per pupil	Annual Effect on Tax Rate
	SWEPT @ \$2.345	FY2017 Preliminary Grants = Cost of Adequacy Less SWEPT	FY2012 Stabilization Grant	96%		160%			95%				
State Total	363,431,572	411,695,028	158,480,276	151,060,803	570,120,846	912,193,353	559,338,006	563,924,066	535,727,863	564,007,588			
Manchester	19,949,783	44,998,722	12,454,439	11,956,261	58,906,279	94,250,046	56,954,983	57,504,780	54,629,541	56,954,983	498,178	38.36	0.06
Rochester	4,825,327	14,325,587	8,776,808	8,425,736	23,005,154	36,808,247	22,751,322	22,855,354	21,712,586	22,751,322	351,072	87.94	0.17
Derry	6,100,113	15,990,382	8,658,713	8,312,364	24,595,806	39,353,290	24,302,746	23,924,241	22,728,029	24,302,746	346,349	67.90	0.12
Claremont	1,644,742	6,379,936	6,282,807	6,031,495	12,922,026	20,675,242	12,411,431	12,484,727	11,860,491	12,411,431	251,312	151.32	0.36
Berlin	629,396	4,739,205	5,495,595	5,275,771	10,235,655	16,377,048	10,014,976	9,991,729	9,492,142	10,014,976	219,824	204.84	0.56
Nashua	19,883,376	30,481,324	4,793,937	4,602,180	36,088,466	57,741,545	35,083,503	35,256,916	33,494,070	35,083,503	191,757	17.77	0.02
Franklin	1,177,459	4,055,444	4,034,992	3,873,592	8,329,787	13,327,659	7,929,036	8,044,402	7,642,182	7,929,036	161,400	151.23	0.30

HOW DID WE GET HERE?

The funding of an adequate education is still an issue in the State of NH for the following reasons:

- **Declining Enrollments**
- **Reductions in “Stabilization Aid”**
- **Rising Education Costs – Mandated Costs from the Federal Government**
- **Low Level of State Aid – assumed cost of adequate education is \$4,499 per pupil, Franklins is \$4,990 per pupil, while the state average is \$15,000 per pupil**
- **Heavy Reliance on a Property Tax System**

WHERE ARE WE NOW?

When comparing FY 2017 school revenue for 4 NH School Districts, we see that Franklin and Berlin rank as the two school districts receiving the greatest % of equitable aid and the two school districts having the least local taxation paying for education.

NEW HAMPSHIRE DEPARTMENT OF EDUCATION STATE SUMMARY REVENUE AND EXPENDITURES OF SCHOOL DISTRICTS									
		Franklin		Berlin		Claremont		Bow	
		FY 2017	FY 2011	FY 2017	FY 2011	FY 2017	FY 2011	FY 2017	FY 2011
REVENUES:									
	Local Taxation	3,571,663	3,005,396	5,071,334	2,110,571	15,602,193	10,952,934	17,461,017	15,825,982
	Tuition, Food, & Other Local Revenue	359,238	878,830	1,504,849	1,659,690	721,490	1,338,299	2,778,997	843,823
	Equitable Education Aid	9,106,495	9,844,001	10,644,372	11,577,788	14,056,173	14,339,373	5,554,918	6,276,893
	Other State Sources	284,367	362,460	249,897	440,589	499,592	417,414	505,557	649,217
	Federal Sources (Includes ARRA Funds)	2,286,758	548,350	2,838,024	2,851,198	2,970,000	3,376,195	797,274	704,846
Total Revenues:		15,608,521	14,639,037	20,308,476	18,639,836	33,849,448	30,424,215	27,097,763	24,300,761
ANALYTICS:									
	Equitable Education Aid vs Total Revenue	58%	67%	52%	62%	42%	47%	20%	26%
	Local Taxation vs Total Revenue	23%	21%	25%	11%	46%	36%	64%	65%
	Equitable Ed + Local Taxation vs Total Revenue	81%	88%	77%	73%	88%	83%	85%	91%

WHERE ARE WE NOW?

Looking at the Franklin School District Budget vs Enrollment we see declining enrollment & rising costs:

	Total Budgeted Expenses	Total Enrolment
Fiscal Year 2019:	\$18,600,000	952
Fiscal Year 2018:	\$16,200,000	1,020
Fiscal Year 2011:	\$13,100,000	1,326

Looking at Franklin High School separately, we see decreasing enrollment

- FY 2018 311
- FY 2017 337
- FY 2016 371
- FY 2011 440

WHERE ARE WE NOW?

FRANKLIN SCHOOL DISTRICT					
REVENUES & EXPENSES					
		Approved Budgets		Audited Financial Statement	
		FY 2019	FY 2018	FY 2017	FY 2016
	Total Revenues:			13,871,344	14,037,857
	Total Expenses	18,571,401	16,208,339	14,031,143	14,283,822
	Deficit of Revenues vs Expenses:			(159,799)	(245,965)

WHERE ARE WE NOW?

FRANKLIN SCHOOL DISTRICT

ADEQUACY GRANT & PROPERTY TAXES

FRANKLIN SCHOOL DISTRICT						
ADEQUACY GRANT & PROPERTY TAXES						
		Estimate	Actuals			
		FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Adequacy Grant:		6,764,988	7,080,457	7,670,311	7,929,036	8,329,787
Property Taxes - Total:		N/A	5,436,194	5,022,679	4,749,122	4,695,136
Local:		N/A	4,257,639	3,862,005	3,571,663	3,478,307
State-wide Ed Tax System:		N/A	1,178,555	1,160,674	1,177,459	1,216,829

WHERE ARE WE NOW?

In review of Franklin School District, Enrollments, Revenues, Expenses, Adequacy Grants and Property Taxes, we report the following:

- **Total gross revenue is decreasing each year.**
- **Total gross expenses are increasing each year.**
- **Adequacy grant revenue is decreasing each year.**
- **Local property taxes are paying more for education each year.**
- **State-wide education tax system is paying less for education each year.**

WHAT CAN WE DO?

- Review service levels City wide (municipal and school district) – currently participating in LEAN process
- Review of Franklin School budget for efficiencies in expenditures and prepare analytics to support findings:

Enrollment	Direct cost of education	Indirect cost of education
Education FTE's	Administrative FTE's	Teacher to student ratios
Spending patterns	Building utilization vs fixed expenses	
- Identify duplicate expenditures between the school and city budget and consider combining of those functions
- Consolidate Franklin Elementary, Middle and/or High Schools
- Regionalization of the delivery of Education with neighboring Towns/Citys
- Determine school services that can be done cheaper using an outsourcing vendor...i.e.: Food Services
- Think outside the box on how to best educate a child, FLIP/ELO programs with Winnisquam
- Expand the City's economic base – more assessed value per pupil
- Support legislation to change adequacy formula back to disparity based
- Review Umberger grant program from Final Report of the Committee to study education funding and the cost of an opportunity for an adequate education

IF YOU WOULD LIKE TO DONATE TO THE SCHOOL?

At the regularly scheduled meeting of the City Council of Franklin NH on December 3, 2018, the Council will listen to Public Comments on a Resolution to establish a Trust Fund for donations toward the Franklin School District's Operating Budget with the City's Trustees of the Trust Funds.

Donations can be made payable to: Trustees of Trust Funds and mailed to:

City Hall

ATTN: Trustees of Trust Funds

316 Central Street

Franklin, NH 03235