



STUDENT-CENTERED FUNDING IN NEW HAMPSHIRE

INTRODUCTION

As New Hampshire is a nationally recognized innovator in instruction for the 21st century, its school funding system remains rooted in its early day as a colony and a pre-industrial economy. A shift to student-centered funding can create the freedom and incentive to spread the state's education vision into every district and school in the state.

Student-centered funding means that New Hampshire will provide funding for each student based on his or her needs. Funding fully follows students when they move to different districts or from a traditional public school to a public charter school. It is a commonsense way to maximize opportunity for students. High performing districts and public charter schools will have an incentive to attract more students, as they get the resources needed to educate them. Parents can move their children to a better-fit school without giving up services. Yet, in many states, a significant proportion of education funding is locked into specific districts, schools, staffing positions, services and programs.

This report examines the extent to which funding in the state of New Hampshire is student-centered. It identifies the large portions of funding that are not student-centered and illuminates why. Finally, it provides policymakers with the steps they can take to meaningfully increase the proportion of education funding that is student-centered.

EXPLAINING STUDENT-CENTERED FUNDING

Student-centered funding is also referred to as weighted student funding, backpack funding, student-based allocation or student-based budgeting. The core principles of student-centered funding are relatively simple. Under a student-centered funding model for New Hampshire:

- Nearly all funding is provided to districts and public charter schools based on how many students they serve;
- Funds are also provided to address specific needs and challenges those students might have; and
- Funding for each student follows him or her to any district and public charter school to ensure his or her needs can be met, regardless of district boundaries.

It means that each district and public charter school in New Hampshire receives a base funding amount for each student, with additional funds, also called weights, for students who have special needs or disadvantages. Funding fully follows students as they move from district to district and from traditional public school to public charter school.

There are several key advantages to student-centered funding in New Hampshire.

- It is more transparent. It is clear and easy to understand how much funding each district and public charter school gets and why.
- It empowers districts and public charter schools. District and public charter school leaders have flexibility to use funds to meet the unique needs of their students.
- It empowers parents. Parents can choose the district and public charter school that is best for their children, with the money fully following their students.
- It is fairer. All students in New Hampshire get the same resources, with additional funding for students with special needs or disadvantages.¹

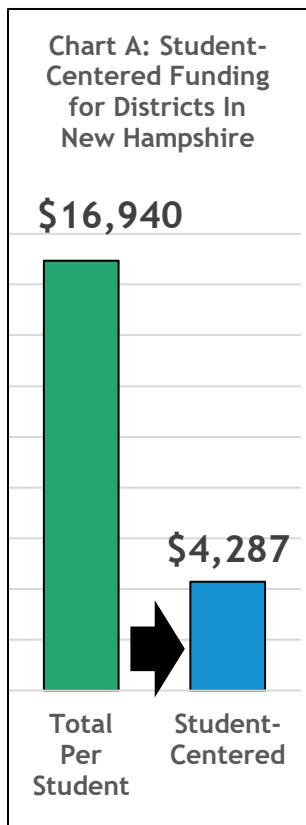
¹ For more on student-centered funding, see ExcelinEd, *Student-Centered State Funding: A How-to Guide for State Policymakers* (November 2017): <https://www.excelined.org/wp-content/uploads/2017/11/ExcelinEd.StudentCenteredStateFunding.AHowToGuideForStates.Nov2017-1.pdf>.

METHODOLOGY

This report examines K-12 education revenue for the 2016-17 school year, the most recent year for which the state has data. It considers state and local funding only.² After conducting an initial review of publicly available data sources, ExcelinEd consulted with state officials for clarifications and corrections. For comparison purposes, all figures are converted into per student amounts, even when districts are actually receiving an amount of funding that does not adjust for student enrollment. For student enrollment counts, average daily membership in residence was used.³

OVERVIEW OF NEW HAMPSHIRE'S EDUCATION FUNDING SYSTEM

Overall, education funding in New Hampshire is \$16,940 per student. This is comprised of \$1 billion in state aid and \$1.9 billion in local funds. The majority of state aid is provided through a relatively straight forward, student-centered funding formula. It provides a base amount of \$3,561 per student and then additional funds based upon the needs and characteristics of the student: \$1,781 for low-income students; \$1,916 for students with disabilities; \$697 for English learners; and \$697 for at-risk third graders. From this amount, the state deducts the proceeds each district receives from a mandatory property tax.⁴ On average, this reduces state formula funding by 49 percent. This is all student-centered, as it adjusts for student enrollment and characteristics.



However, only a fraction of school funding in New Hampshire goes through this formula. Base funding is \$3,561 per student, well below the \$16,940 in total funding. As explained below, the rest of the funding flows outside of the formula.⁵

FINDINGS

Funding that Does Not Follow Students from District to District

As shown in Chart A, out of \$16,940 in overall funding per student in New Hampshire, \$4,287 is student-centered, meaning it moves with a student from district to district. This means that \$12,653 per student in New Hampshire does not follow a student from district to district. This is 75 percent of state and local funding, and totals \$2.2 billion out of \$2.9 billion statewide. This means that when a student moves to a different district, only 25 percent of funding follows him or her to the new district.

Table I shows that the biggest block of funding that is not student-centered in New Hampshire is the \$10,916 in local funding that flows outside of the state's formula. Each year, localities approve a specific amount of funding for the upcoming school year that does

² Revenue for teacher pensions is included in this analysis; however, in New Hampshire, teacher pensions are funded by districts and teachers and the proceeds from investments managed by the state retirement system. It does not appear that the state made any separate allocation. Revenue for school facilities is also included. The Department of Revenue Administration says that local funding for facilities are included in overall local funding figures. Interview with Stephan Hamilton (Oct. 12,2018). However, the Department of Education reports \$65 million from sale of bonds and notes that "must be repaid with revenues from other sources." See https://www.education.nh.gov/data/documents/summ_rev16_17.pdf.
³ In residence means the number of students who reside in that district. Some of those students may attend schools in other districts. Similarly, the district may serve students from other districts. The state pays based on the district where students reside, with districts paying and receiving tuition from other districts. See https://www.education.nh.gov/data/documents/adm16_17.pdf. The state does not provide funding pre-schoolers, funds kindergartners at half, so enrollment figures are adjusted accordingly.
⁴ This tax is called the statewide education property tax (SWEPT). In other states, a tax like this would likely be considered a required local contribution. Whether state or local, it is student-centered because the state pays the difference between what is raised locally, and the overall amount calculated based on student enrollment and characteristics.
⁵ More detailed tables are found in the Appendix.

not adjust based on the number of students enrolled. The local funding ranges from a low of \$1,671 to a high of \$22,858 per student.⁶

Districts also receive an average of \$887 per student in hold harmless funds based on how much they received in 2012. This funding, equal to 5.2 percent of overall funding, does not adjust for student enrollment. The state is phasing out these “stabilization” grants over 25 years. There is \$851 per student, or 5 percent of total funding, for various other aid programs that does not adjust based on student enrollment, including local bond revenue, state aid for facilities, reimbursement for high-cost students with disabilities, and funding for career and technical education programs.

The state funds districts based on enrollment during the previous school year. In other words, a growing district does not receive any additional funding for new students until the following year. This means that about 2 percent of state and local formula funds are not student-centered.⁷

Finally, it is noteworthy that there is no funding in New Hampshire tied to how much students learn, notwithstanding the state’s long history of competency-based education, which encourages districts to let student progress only when they have mastered content, not merely having sat through a certain number of hours of instruction.

Table I: Funding that Does Not Follow Students from District to District

Not Student-Centered	Per Student	Total	Percent
Local funding not adjusted for enrollment	\$10,916	\$1,859,885,529	64.4%
Hold harmless state & local revenue	\$887	\$151,060,803	5.2%
State & local facility funding & other state aid	\$851	\$144,923,606	5.0%
Total Not Student-Centered	\$12,653	\$2,155,869,938	74.7%
Total Funding	\$16,940	\$2,886,314,004	

What Does This Mean for Students?

In New Hampshire, a student is receiving \$16,940 in services on average. As parents consider moving their children to other districts that may provide a better education, they need to consider that those other districts will only receive \$4,287 in extra funding for each new student they serve. Parents may be concerned because these districts will not have the funding to pay for the services their children need, particularly if their children have disadvantages or special needs.

What Does This Mean for Districts?

In New Hampshire, if districts are seeking to attract new students, they need to consider that they will only get an extra \$4,287 per student, far short of what they are spending on current students. This will give districts significant pause, particularly when it comes to recruiting students, particularly who have disadvantages or special needs that requires more intensive services.

⁶ This is based on district profiles on the New Hampshire Department of Education website, which show total local revenue for 2016-17. See, e.g., <https://my.doe.nh.gov/profiles/profile.aspx?oid=&s=&d=51&year=2017&tab=finance>.

⁷ Until recently, the state also capped increased funding for districts; this cap was eliminated after a lawsuit. For the \$7.4 million in career technical education (CTE) funding, the state reimburses districts for tuition paid to regional CTE centers, as well as reimburses for the cost of transportation to districts. In theory, a student who moves to another district could continue to attend a CTE center. The previous district would no longer receive CTE funding, while the current district will.

Illustration of Two Neighboring Districts

Table II illustrates the example of two neighboring districts in the center of the state: Franklin and Andover (pictured to the right). Both districts receive similar funding per student through the state’s funding formula--\$4,760 in Franklin, and \$4,079 in Andover.⁸ However, Franklin receives \$3,524 per student in hold harmless funds, regardless of whether its enrollment goes up or down. Andover receives \$685 per student in hold harmless funds. Local funding in Franklin is \$3,249 per student; whereas, in Andover, it is \$9,866. The local funding in both districts does not adjust for student enrollment.

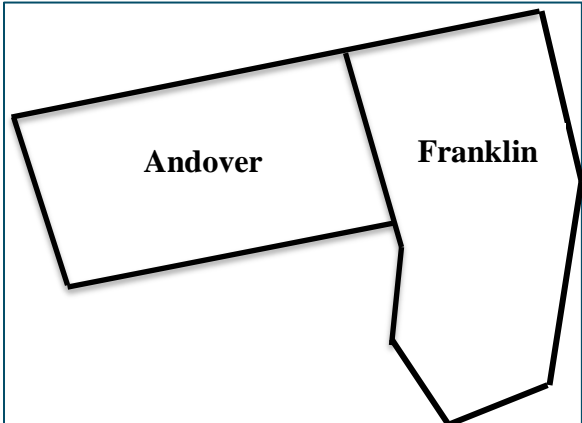


Table II: Illustration of Neighboring Districts

Franklin	Total	Student-Centered	Not Student-Centered	Andover	Total	Student-Centered	Not Student-Centered
State & local formula funding	\$4,760	\$4,556	\$204	State & local formula funding	\$4,079	\$4,079	
Hold harmless	\$3,524		\$3,524	Hold harmless	\$685		\$685
Other state aid	\$249		\$249	Other state aid	\$67		\$67
Local funding	\$3,249		\$3,249	Local funding	\$9,866		\$9,866
Total	\$11,782	\$4,556	\$7,226	Total	\$14,698	\$4,079	\$10,618
		38.7%	61.3%			27.8%	72.2%

What does this mean for students?

If students want to move from Andover to Franklin, Franklin will receive an increase of only \$4,556 out of \$14,698 that Andover is receiving per student. This is 31 percent. Conversely, if students want to move from Franklin to Andover, Andover will receive only \$4,556 out of \$11,782, or 35 percent. Also, because New Hampshire uses prior year student enrollment, neither district will receive any additional funding for a new student initially; the funding for that student arrives only a year later.

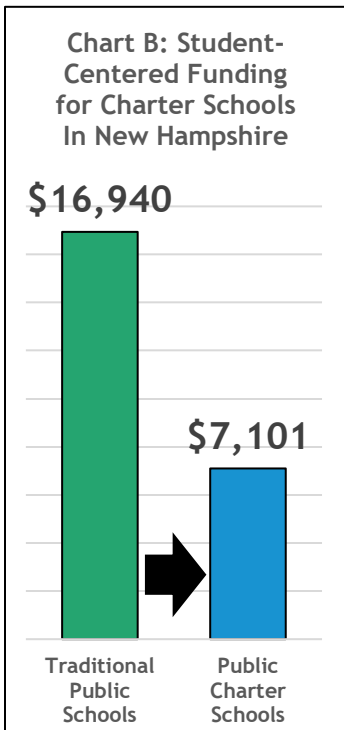
Funding that Does Not Follow Students from Traditional Public School to Public Charter School

Charter schools are funded through the same core formula as districts. However, as shown in Chart B, out of \$16,940 for a student in a traditional public school, only \$7,101 follows the student to a public charter school in New Hampshire. This means that when a student moves from a traditional public school to a public charter school, 42 percent of funding follows him or her to the public charter school.

⁸ A portion of formula funding for Franklin is not student-centered because it is based on prior year student enrollment, which was 4 percent lower than actual enrollment. Enrollment in Andover increased by 5 percent, meaning it would have received more formula funding using actual enrollment.

Table III shows that the biggest block of funding that is not student-centered, and therefore not received by charter schools, is \$7,880 in local funding. Charter schools cannot access *any* of the \$10,960 in local funding per student that traditional public schools get, as described above.⁹

The state provides \$3,036 per student in supplemental funding to charter schools, but this only covers a fraction of the \$10,960 in lost local funding. This alone creates a 47-percent disparity for charter schools.



Charter schools also cannot access \$887 per student in hold harmless funding that districts get based on how much they received in 2011. They do not get \$589 per student in state and local funding for facilities.¹⁰ Finally, the charter schools do not receive \$484 per student in funding for students with disabilities and career and technical education programs.¹¹

What Does This Mean for Students?

In New Hampshire, a student is receiving \$16,940 in services on average. As parents consider moving their children from a traditional public school to a public charter school that may provide a better education, they need to consider that those schools will only receive \$7,101 in extra funding for each new student they serve. Parents may be concerned because these districts will not have the funding to pay for the services their children need, particularly if their children have disadvantages or special needs.

What Does This Mean for Public Charter Schools?

In New Hampshire, if public charter schools are seeking to attract new students, they need to consider that they will only get an extra \$7,101 per student, far short of what traditional public schools are spending. This will give charter schools significant pause, particularly when it comes to recruiting students, particularly those who have disadvantages or special needs that requires more intensive services.

Table III: Funding that Does Not Follow Students from Traditional Public School to Charter School

Not Student-Centered	Per Student	Percent
Lack of access to local funding despite state supplement	\$7,880	46.5%
No access to hold harmless funding	\$887	5.2%
No access to state & local facility funding	\$589	3.5%
No access to special education & CTE funding	\$484	2.9%
Total Not Student-Centered	\$9,839	58.1%
Total Funding	\$16,940	

⁹ New Hampshire has one locally-approved charter school which does receive some local funding.

¹⁰ In theory, charter school can access new state facility funding; however, there is no such funding.

¹¹ Charter schools are not financially responsible for services to students with disabilities; districts provide in-kind services or funding to charter schools. In theory, charter schools can send students to regional career technical education center and be reimbursed for tuition and transportation; however, this is no indication that this happens in practice. Interviews with Caitlin Davis, New Hampshire Department of Education (Oct. 2 & 30, 2018).

Illustration of District and Nearby Charter School

Lebanon is a traditional public school district, and Ledyard Charter School is a public charter school located in Lebanon. Lebanon receives \$25,014 per student; whereas, Ledyard receives \$7,482. This means that if students want to move from Lebanon to Ledyard Charter Schools, only \$7,482 out of \$25,014 will follow each student. That is 30 percent.

Table IV shows that the difference is because Ledyard receives no local funding, state hold harmless funding or other state aid, except for supplemental state aid.

Table IV: Illustration of District and Nearby Charter School

Lebanon	Total	Student-Centered	Not Student-Centered	Ledyard Charter School	Total	Student-Centered	Not Student-Centered
State & local formula funding	\$4,227	\$4,227	\$0	State & local formula funding	\$4,446	\$4,446	
Hold harmless	\$567		\$567	Hold harmless	\$0		
Supplemental state aid				Supplemental state aid	\$3,036	\$3,036	
Other state aid	\$900		\$900	Other state aid	\$0		
Local funding	\$19,319		\$19,319	Local funding	\$0		
Total	\$25,014	\$4,227	\$20,786	Total	\$7,482	\$7,482	\$0

IMPLICATIONS

Because so much of school funding in New Hampshire is not student-centered, it fails to get the benefits, including transparency, empowerment of parents and district and school leaders and fairness.

New Hampshire does not have a multitude of different funding programs that many other states have. The New Hampshire Department of Education provides, on its website, considerable data on school funding. However, much of the information is not calculated on a per student basis to enable an apples-to-apples comparison between districts and schools.

New Hampshire does not impose a lot of restrictions on how districts and public charter schools spend money. This empowers district and public charter school leaders.

A major consequence of New Hampshire’s lack of student-centered funding is high performing districts and public charter schools have no incentive to grow. Districts only get a small fraction of overall funding for new students; meanwhile, the districts that no longer serve students get to keep most of the funding. Adding is the deterrent, districts have to wait a full year before they get any funding for new students. In contrast, charter schools are funding based on actual, current enrollment.

Parents are forced to choose between remaining in a district that they do not think fulfills their children’s needs or moving to another district or to a public charter school which may be unable to provide sufficient services because they are not getting full funding for new students, particularly those with special needs and disadvantages.

Finally, New Hampshire's lack of student-centered funding creates huge disparities between districts, regardless of enrollment and need. The huge variance in local funding means that some districts have vastly more funding per student than other districts. The disparity is even worse for public charter schools, which receive less than half of what traditional school districts receive.

RECOMMENDATIONS FOR CONSIDERATION

The following recommendations would address the issues raised above.

Make local funding student-centered: In a truly student-centered funding system, nearly all local funding should be part of the state's funding formula as a required local contribution, and the state provides the remainder based on student enrollment and characteristics. This would mean a substantial change in New Hampshire, with a much higher base funding amount.

Even if New Hampshire continues to allow substantial local funding outside of the formula, local funding can still be based on the number of students, automatically adjusting as student enrollment changes. In other words, each year localities will approve a funding amount per student enrolled in the upcoming school year, rather than an overall, inflexible total. This will create an incentive for districts to attract more students and open up opportunities for parents.

The state can also have all local funding, whether required or supplemental, follow students if they choose to enroll in schools outside of their home district boundaries, including public charter schools. New Hampshire already allows "tuitioning" of students who live in one district but attend schools in another district or even attend a private school. Generally, this is available only if a district does not have a school for a specific grade level, e.g., a high school.¹² The statutory default tuition is the current expenses of operation of the "receiving" district; however, sending districts can negotiate the tuition they are willing to pay.¹³

The state can make tuitioning available to all students, including those who attend charter schools, and ensure that receiving districts and schools get the default tuition unless they agree otherwise. This places parents in greater control of their child's schooling options and incentivizes high performing districts and schools to serve more students.¹⁴

Fold hold harmless funding into a higher weight for low-income students. The genesis of the stabilization grants was to reduce financial harm from the elimination of a funding program for low-wealth districts.¹⁵ However, this freezes funding in specific districts regardless of student enrollment or characteristics. A student-centered solution would include raising the supplement funding per low-income student and eliminating the stabilization grants.

Use actual current enrollment for funding calculations: The use of prior year enrollment means that schools are serving more students do not receive any funding for those students until the following year. Using actual current enrollment would address this problem. Charter schools in New Hampshire are funded based on current enrollment. States, like Florida, make extra effort to ensure that enrollment projections are accurate, and districts can have reserves to address unanticipated enrollment drops.

¹² Students who can prove a "manifest educational hardship" can also enroll in another district. See R.S.A. 193:3.

¹³ See R.S.A. 193:4.

¹⁴ For more on tuitioning, see Granite Institute, *How New Hampshire Provides Small Towns with Access to School* (Aug. 2016): https://graniteinstitute.org/application/files/9414/7188/6719/Granite_Institute_-_How_New_Hampshire_Provides_Small_Towns_with_Access_to_Schools_-_August_2016.pdf

¹⁵ See New Hampshire Office of Legislative Budget Assistant, *Calculating Education Grants Stabilization Grant* (Jan. 2017): <https://www.nhsaa.org/site/handlers/filedownload.ashx?moduleinstanceid=316&dataid=591&FileName=Caitlin%20Davis%20-%20Handout%20-%20Stabilization%20Grant.pdf>.

Provide charter schools with equal access to facility funding. For student-centered funding, charter schools should receive a proportional share of all state and local funding raised for facilities.

Link funding to student performance: As New Hampshire considers making its funding system more student-centered, it can also link some funding to student performance. The state is already nationally known for its competency-based education, where students proceed based on mastery instead of hours of instruction. However, the existing funding system provides no incentive for districts to implement competency-based education. The state's online charter school, VLACS, receives funding based on the percentage of assignments each student completes. Similarly, by tying a small but meaningful portion of funding to student performance, New Hampshire can incentivize better outcomes, while still having financial affordability and predictability and equity.

Student Centered Funding in New Hampshire

Appendix: Student-Centered Funding for Traditional School Districts in New Hampshire

Revenue Source	Total Revenue			Per Student	Percent	Explanation
	Total	Student-Centered	Not Student-Centered	Not Student-Centered	Not Student-Centered	
State & local base revenue	\$604,680,355	\$592,586,748	\$12,093,607	\$71	0.4%	Use of prior year enrollment impacts about 2 percent. Note: state characterizes required local contribution as a "state" tax.
State & local revenue for low-income students	\$84,484,056	\$82,794,375	\$1,689,681	\$10	0.1%	
State & local revenue for students with disabilities	\$52,802,539	\$51,746,488	\$1,056,051	\$6	0.0%	
State & local revenue for English learners	\$2,683,624	\$2,629,952	\$53,672	\$0	0.0%	
State & local revenue for at risk 3rd graders	\$566,397	\$555,069	\$11,328	\$0	0.0%	
State & local revenue for home schooled students	\$134,117	\$131,435	\$2,682	\$0	0.0%	
Local revenue outside of formula	\$1,859,885,529		\$1,859,885,529	\$10,916	64.4%	
Hold harmless state & local revenue (stabilization grants)	\$151,060,803		\$151,060,803	\$887	5.2%	Not adjusted for student enrollment
State school building aid	\$35,000,000		\$35,000,000	\$205	1.2%	Not adjusted for student enrollment
"Catastrophic" special education aid	\$22,300,000		\$22,300,000	\$131	0.8%	Reimbursement for programs
Career Technical Education aid	\$7,400,000		\$7,400,000	\$43	0.3%	Program specific
Local bond revenue	\$65,316,584		\$65,316,584	\$383	2.3%	District specific
Total Revenue	\$2,886,314,004	\$730,444,066	\$2,155,869,938	\$12,653	74.7%	
Revenue Per Student (ADMA)	\$16,940	\$4,287	\$12,653	\$16,940		
Percent		25.3%	74.7%			

Appendix: Student-Centered Funding for Public Charter Schools in New Hampshire

Revenue Source	Traditional Public Schools	Charters Schools Receive	Charters Do Not Receive	Percent of Total	Explanation
State & local base revenue	\$3,453	\$3,453		0.0%	
State & local revenue for low-income students*	\$482	\$482		0.0%	
State & local revenue for students with disabilities*	\$301		\$301	1.8%	Charters do not get special education funding
State & local revenue for English learners*	\$15	\$15		0.0%	
State & local revenue for at risk 3rd graders*	\$3	\$3		0.0%	
State & local revenue for home schooled students*	\$1	\$1		0.0%	
Local revenue outside of formula	\$10,620	\$3,036	\$7,584	46.0%	Lack of access to local funding despite state supplement
Hold harmless state & local revenue (stabilization grants)	\$863		\$863	5.2%	No access to hold harmless funding
State school building aid	\$200		\$200	1.2%	No access to facility funding
"Catastrophic" special education aid	\$127		\$127	0.8%	No access to special education
Career Technical Education aid	\$42		\$42	0.3%	No access to CTE funding
Local bond revenue	\$373		\$373	2.3%	No access to local bond revenue
Total Revenue	\$16,480	\$6,990	\$9,490	57.6%	

*For consistency, the denominator is always all students. The amount per specific type of student is higher. For example, the state provides \$1,781 per low-income student.