

Appendix C: Explanation of the State Maintenance of Equity Methodology

Purpose of Appendix C: The New Hampshire Department of Education has had ongoing conversations with the United States Department of Education (USED) about how to methodologically apply the Maintenance of Equity provision to New Hampshire. In response, USED has continued to refine their published official guidance and has provided some verbal and written guidance for conditions that appear unique to New Hampshire and not generally applicable to other States. This document seeks to comprehensively explain the methodological approach used and provides additional requested information as part of those conversations between USED and New Hampshire.

Background Information:

New Hampshire’s primary education funding formula is the key State funding source for public schools.

- The primary funding formula represented over 91 percent of the \$1,055,087,086 total State funding for district public schools during SFY 2020. Of the remaining 9 percent or \$93.4 million in other State funding to districts, \$45 million was issued under our school building aid program for school construction projects, \$30.2 million was issued for reimbursing schools for high-cost special education students, and \$8.5 million was issued for reimbursing districts for providing career and technical education. The remaining State funding comes from an assortment of other programs typically awarded on upon a grant application or reimbursement basis. The primary funding formula is the largest and most consistent funding source Statewide.
- The formula for district public schools and charter schools have some similarity but also some differences in their primary funding formulas. Both formulas have a State minimum required funding level and both have additional funding components above the State minimum.
- The district public school formula is based on funding students per district of responsibility and the charter school formula is based on funding students attending the charter school.
- The district public school formula has a one year-lag in the student data and the charter school formula uses student data from the same fiscal year the aid is received.
- The formula for funding Charter Schools involves providing some funding, relative to special education students attending a charter school, to the public school district which is financially responsible for that student. Although a special education student attends a charter school, the district public school maintains financial responsibility for the special education costs incurred while the student is enrolled at the charter school.

Note:

The primary school funding formula is also known as “adequacy aid” or “equitable aid.” See the “State Summary of Revenue and Expenditures of School Districts” report for 2019-2020. Equitable Education Aid was \$961,613,351 (91%) and all other State Aid was \$ 93,473,735.

<https://www.education.nh.gov/who-we-are/division-of-educator-and-analytic-resources/bureau-of-education-statistics/financial-reports>

Methodology For Identifying High-Need and High-Poverty LEAs:

New Hampshire will be defining a student in the exact manner in which a student is defined for the purpose of funding that student through New Hampshire’s primary school funding formula. The base year

is SFY 2021. Therefore, we will be using the student data included in the district and charter school formula to fund SFY 2021.

Definition Of Student for District Public School:

- Public School Districts receive funding through the primary funding formula based on which students the district is financial responsibility for educating. This differs from the typical federal funding formula which funds students based on where the student is being educated, or attending. However, a district might not directly educate the student by operating a school, but may elect to use State and Local dollars to send a student to a school being operated outside their district.
- Financial responsibility is determined at the municipal-level (i.e. towns & cities). Some municipalities elect to have a school almost exclusively intended for educating their residents, some municipalities enter into cooperative agreements with other municipalities to form a regional school district, and some municipalities elect to assign different grade-levels of their residents to different districts. A cross-walk of the current school district by municipality can be observed in the link below. This structure has been relatively stable over recent years:
 - [NH Public Schools | NH Department of Education](#)
- The district public school formula uses average daily membership in residence (ADMR) as the student data used as an input for the formula. This measurement tracks the student's membership within a district public school throughout the full school year and is based on the residence of the student which determines district of financial responsibility.
- The ADMR of the previous school year funds the current fiscal year, thereby making the student data used in the formula one year behind. Additionally, only kindergarten through grade twelve is funded by the State. For district ADMR for school year 2019-2020 please see ADM membership by municipality. The cross-walk provided above can assist you in getting more granular in reviewing this information or one can ask the NHDOE for more information:
 - https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/2020-04/ad_ed_aid_fy2021.pdf

Student For Charter Public School:

- Charter public schools receive funding through the primary funding formula based on which students the charter school attends. However, this uses current school year data to fund the current fiscal year, unlike the district public school formula.
- The charter school formula uses average daily membership in attendance (ADMA) as the student data used for as an input for the formula. This measurement tracks the student's membership within a charter school throughout the full school year. Additionally, only kindergarten through grade twelve is funded by the State. See the link below for charter school ADMA membership.
 - <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/charter-school-aid-19-2020.pdf>

Students for the Virtual Learning Academy Learning Charter School

- The Virtual Learning Academy Charter School (VLACS) is unique relative to the other charter schools in New Hampshire. This is a completely virtual charter school that does online courses. Some students attend full-time and use VLACS as their primary and only institution of public education. However, some students attend their district public school and elect to take a course or multiple courses at VLACS. For these part-time students dually enrolled in two schools, the VLACS is given State funding by converting the course or courses into a full-time equivalent

number comparable to the ADMA measurement used for charter schools. When this occurs, the district public school is able to continue to receive their State funding as if the student never attended VLACS. For the full-time singly enrolled students, the standard ADMA measurement is used and they students do not also attend a district public school at the same time.

- To avoid duplicating pupil counts, only the full-time enrolled students exclusively enrolled in VLACS are used in measuring pupils. VLACS full-time enrolled students for SFY 2021 can be found in the link below:
 - <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/adm-2019-20-final-3-25-21web.pdf>

Other Considerations:

- *Interstate District:* Rivendell is an interstate district between New Hampshire and Vermont. This district is just is comprised of one New Hampshire municipality, the Town of Orford, and multiple communities in Vermont. The State of New Hampshire and the Town of Orford are financially responsible for educating the students residing in Orford and entering the Rivendell interstate school district. Therefore, only those New Hampshire residents will be included in the pupil counts using ADMR as the measurement.
- *Overlapping District:* Prospect Mountain is a Local Education Agency which is the joining of Barnstead and Alton school districts, respectfully. Prospect Mountain exists for Barnstead and Alton to jointly serve their grades 9-12 residents. Using an ADMA measurement which is attendance based works for separating these three districts since the student grade levels and school locations can be easily parsed out. However, determining the district of financial responsibility cannot be done with these three districts because Prospect Mountain is not financially responsible for any students and is not a taxing jurisdiction by itself. Therefore, this district was removed and the ADMR measurement for the students residing in Barnstead and Alton were used. This methodology avoids any double counting with these students and districts.

Poverty Ranking:

- The poverty rankings use the same source data from used for the FY 2022 title one allocations. Additionally, the methodology used for determining the poverty percentage for special local education agencies was used for ranking local education agencies for maintenance of equity, per United State Department of Education guidance.

State Funding Per Pupil Measurements

SFY 2019 Base Line Measurements:

District Aid:

- This includes all primary funding going to district public school local education agencies. This includes three types of grants that comprise the current primary funding formula: the Adequacy Grant, the Statewide Education Property Tax Grant, and a Kindergarten grant. The Kindergarten grant is unique in that this was a new funding component that came into existence FY2019 to attempt to fully fund kindergarten at the State minimum funding levels for grades 1-12 contingent upon the amount of “keno” gaming revenue. Prior to SFY 2019, the State funding formula funded

kindergarten at half the funding levels allocated for grades 1-12. This program existed for one year in SFY 2019 and kindergarten was fully funded after that.

- District Adequacy and Statewide Education Property Tax Grant can be found in the following reports in the link below. Keep in mind, school funding is required by State statute to be calculated at the municipal-level and paid at the school district level. Therefore, the municipal to school district cross-walk referenced earlier in this document may be needed or additional assistance from NHDOE may be necessary.
 - Add the “SWEPT” grant and the “Adequacy Grant” to the total Municipal Grant https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/2020-04/ad_ed_aid_fy2019_final.pdf
 - The grant information for municipal grants that are not also an independent, single school districts can be found here: https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/2020-04/ad_ed_aid_coop_fy2019_final.pdf
- Kindergarten Grant information can be found in the link below.
 - <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/kindergarten-aid.pdf>

District/Charter Aid:

- This includes State funding districts receive for being financially responsible for the special education services for a student from their district attending a charter school. This information is not publicly reported. However, the total amount for SFY 2019 given to district public schools, can be found at the bottom of this report below which equates to \$849,813.88:
 - <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/charter-school-aid-18-19.pdf>

District Pupils:

- This includes ADMR for school year 2017-2018 which is one year before SFY 2019. Please see the ADM column below. You may need the cross-walk mentioned above or follow-up with NHDOE for more information.
 - https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/2020-04/ad_ed_aid_coop_fy2019_final.pdf

Charter Aid:

- Charter Aid for SFY 2019 is based on the ADMA at charter schools during school year 2018-2019. See the link below for details about the distribution:
 - Adequacy Charter School Aid: <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/charter-school-aid-18-19.pdf>
 - Kindergarten Aid to Charter Schools: <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/kindergarten-aid.pdf>
 - VLACS was paid differential aid as required by adequacy for their full-time enrolled students. However, the funding rate per 1.0 ADMA of each full-time enrolled student was \$5,758.47.

Charter Pupils

- Charter School ADMA can be found in the adequacy distribution spreadsheet below:
 - <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/charter-school-aid-18-19.pdf>
 - VLAC full-time enrolled ADMA can be found in the link as follows:
 - <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/adm18-19.pdf?1>

SFY 2021 Base Line Measurements:

The SFY 2021 Base Line Measurements follow a similar methodological approach as SFY 2019. However, some additional factors need to be taken into consideration. For example:

- The Kindergarten grant is a program that expired in SFY 2020. Instead, full-day kindergarten was directly funded through the primary funding formula, otherwise known as adequacy. This was necessary to add in FY 2019 to ensure FY 2019 could be compared to future fiscal years, such as FY 2022 and 2023. Additionally, the “keno” revenue is still being used for education funding in the primary formula, so this is a consistent funding source that needs to remain in the maintenance of equity State funding measurement per United States Department of Education guidance.
- The Virtual Learning Academy Charter School received federal funding to support tuition that would have otherwise been spent with State dollars. Therefore, some State dollars were replaced with federal dollars which need to be taken into account per federal guidance.
- A one-time funding source was added on a one-time basis to the district public formula for FY 2021. Per federal guidance, only consistent funding sources should be used to ensure comparability between fiscal years.

Virtual Learning Academy Charter School Explanation for FY 2021:

The NHDOE received CARES funding to support students who elected to take virtual classes due to the COVID-19. Each students enrolling either part-time or full-time into the Virtual Learning Academy Charter School were asked if the enrollment was due to Covid-19, if “yes” then their State funding was paid with federal dollars. If “no”, then State funding was used. In total, including both part-time and full-time enrolled students the State provided \$14,963,439.90 in funding. Of which, \$5,372,178.10 or 35.9 percent was federally funded.

To ensure students were not double counted, the NHDOE has included on the full-time enrolled students as their measurement for student in the maintenance of equity measurement. Full-time enrolled students were funded at a rate of \$5,921.27 per ADMA. Additionally, full time enrolled students received additional State funding if eligible for free and reduced price meals. Full-time enrolled students VLACS was provided \$2,900,948.60 (489.92 ADMA x \$5,921.27) and \$82,925.84 in differential aid was provided. While the overall federal funding was 35.9 percent, full-time enrolled students make up less of that percentage. The NHDOE estimates full-time enrolled students were approximately federally funded at a rate of 24.13 percent. Therefore, of the \$2,983,874.44, \$720,008.90 was federally funded and \$2,263,865.54 was State funded.

One-Time Funding:

Modifications to the federal corporate tax code in calendar year 2017 incentivized multi-national corporations, which had historically sheltered their taxable profits overseas, to repatriate corporate

income back to the United States. The act of repatriating corporate income not only included current year income but also a historical backlog of tax-sheltered income from previous tax years. Therefore, subjecting this historical backlog of corporate income to our United States corporate taxes and New Hampshire's business taxes created an anomalous one-time increase in business tax receipts primarily recorded in SFY 2019 that was not a continuous revenue source. The state budget for fiscal years 2020 and 2021 carried forward this anomalous revenue into SFY 2021 and appropriated approximately \$62.5 million to district public schools. The funding to district public school was unrestricted and included in New Hampshire's primary funding formula. This provision was specifically written in 2019 to be temporary and expire in fiscal year 2021. The primary funding was never permanent, and the New Hampshire Department of Education instructed school districts that these funds would not be ongoing when they were allocated.

In the link below, see page 8 line 17 of the State of New Hampshire Education Trust Fund surplus statement drafted in September 2019 stating the funds would come from FY 2019 surplus and get allocated on a one-time basis. Also, see the link explaining that the \$62.5 million would go to adequate education aid for SFY 2021. Please note, in September 2019 these were current estimated appropriations and the final appropriations were less than estimated (i.e., \$58.8 million vs. the \$62.5 million anticipated).

Surplus Statement:

http://www.gencourt.state.nh.us/LBA/Budget/operating_budgets/2020_2021/HB%203%20and%204/9-25-19%20Surplus%20Statement.pdf

See Bullet Seven Explaining \$62.5 Million Put in Operating Budget (i.e., HB1) for SFY 21:

http://www.gencourt.state.nh.us/LBA/Budget/operating_budgets/2020_2021/HB%203%20and%204/Final%20HB%203%20and%204%20Briefing%209-25-19.pdf

This one-time aid was calculated at the municipal-level and can be viewed in the highlighted yellow columns starting on page 7 of the PDF below. However, if the column labeled "preliminary grants" to the right of the yellow columns is blank, then this one-time aid was not distributed to this municipality and corresponding school district because this community has relatively high property values relative to student educational needs. Therefore, the yellow columns sum to \$59,243,207.96 but only \$58,881,538.30 was actually paid.

- https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/2020-04/ad_ed_aid_fy2021.pdf

District Aid:

District Adequacy and Statewide Education Property Tax Grant can be found in the following reports in the link below. Keep in mind, school funding is required by State statute to be calculated at the municipal-level and paid at the school district level. Therefore, the municipal to school district cross-walk referenced earlier in this document may be necessary to understand the school funding structure.

- Add the "SWEPT" grant and the "Adequacy Grant" to the total Municipal Grant:
https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/2020-04/ad_ed_aid_fy2021.pdf

- The grant information for municipal grants that are not also an independent, single school districts can be found here: https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/2020-04/ad_ed_aid_coop_fy2021.pdf

District/Charter Aid:

- This includes State funding districts receive for being financially responsible for the special education services for a student from their district attending a charter school. This information is not publicly reported. However, the total amount for SFY 2021 will be reported publicly at the bottom of the Charter School Aid report. This will be reported soon in this section of the NHDOE website:
 - <https://www.education.nh.gov/who-we-are/division-of-educator-and-analytic-resources/bureau-of-education-statistics/other-state-aid-programs>

District Pupils:

- This includes ADMR for school year 2019-2020 which is one year before SFY 2021. Please see the ADM column below. You may need the cross-walk mentioned above in this document or follow-up with NHDOE for more information.
 - https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/2020-04/ad_ed_aid_fy2021.pdf

Charter Aid:

Charter Aid for SFY 21 is based on the ADMA at charter schools during school year 2020-2021. See the link below for details about the distribution:

- Adequacy Charter School Aid will be posted here when the information is uploaded to the website: <https://www.education.nh.gov/who-we-are/division-of-educator-and-analytic-resources/bureau-of-education-statistics/other-state-aid-programs>

Charter Pupils

- Charter School ADMA can be found in the charter adequacy distribution spreadsheet below when posted for SFY 2021:
 - <https://www.education.nh.gov/who-we-are/division-of-educator-and-analytic-resources/bureau-of-education-statistics/other-state-aid-programs>
 - VLAC full-time enrolled ADMA can be found in the link as follows when information is posted publicly:
 - <https://www.education.nh.gov/who-we-are/division-of-educator-and-analytic-resources/bureau-of-education-statistics/attendance-and-enrollment-reports>