Statewide Education Property Tax Change Provides Less Targeted Relief

The State Budget proposed by the New Hampshire House of Representatives includes a one-year change to the Statewide Education Property Tax. The change would provide more funding raised by the State through non-property tax sources to local public education, but would do so in a less targeted manner than the one-time assistance provided in the current State Budget.

STATEWIDE EDUCATION PROPERTY TAX AND EDUCATION AID

The Statewide Education Property Tax (SWEPT) is a State tax that is collected by local governments. Each year, the New Hampshire Department of Revenue Administration (DRA) estimates the total value of taxable property statewide, with adjustments for changes in property value between assessments; utility property is removed from the tax base and taxed separately through the State’s Utility Property Tax. The DRA then determines the tax rate that would be applied to taxable property statewide to raise a total of $363 million.

The SWEPT is required by law to raise this set amount of $363 million, with only slight variations due to rounding of tax rates in any given year. This set amount was established in 2005, and is not adjusted for inflation. Previously, the SWEPT was set to a rate each year and raised a larger amount of money.

The DRA determines the amount, based on the total estimated taxable value, that each municipality must raise through local property taxes to contribute to the SWEPT’s total. These obligations are specific dollar amounts. Local property tax policy decisions, including decisions regarding credits and other changes permitted by State law, vary across municipalities, so the rates applied at the individual level may not be the same as the State’s rate.

Municipalities raise this revenue to support local public education, offsetting the State’s obligation to supply Adequate Education Aid on a per pupil basis. As the SWEPT is a State tax, it contributes to the Education Trust Fund, which provides the funding for Adequate Education Aid. Adequate Education Aid is the amount the State owes local governments for education on a per pupil basis, with adjustments for certain attributes of the pupil, such as if a child’s family has a sufficiently low income to qualify the child for the free and reduced-price school meals through federal programs, and other adjustments. The per-pupil levels of Adequate Education Aid are significantly lower than the average expenditures for each student reported by school districts.

Local governments that raise a larger amount through the SWEPT than they need to fulfill the State’s obligation to support local public education are not required to send any excess SWEPT revenue raised to the State for use to support other Adequate Education Aid allocations. These communities with relatively high amounts of property wealth per resident student previously had to contribute the
additional SWEPT revenue raised to the State to support the Education Trust Fund, but the provision requiring that contribution was repealed in 2011. Since that time, all SWEPT revenue is raised and retained locally, although it remains a State tax that contributes substantially to the State’s obligation to support local public education.

**ONE-YEAR REDUCTION**

The [State Budget proposed by the House](#) would reduce the target amount to be raised by the SWEPT in State Fiscal Year 2023 from $363 million to $263 million. This one-year, $100 million reduction would require the State’s other revenue sources to the Education Trust Fund to fill in the gap and fund the remainder of the State’s obligations.

In effect, this means less of the State’s obligations would be funded through property taxes raised locally and more through other State revenue sources, such as the Business Enterprise Tax, the Business Profits Tax, the Tobacco Tax, the Real Estate Transfer Tax, and Lottery Commission profits.

More money would be flowing to communities from the State, rather than requiring those communities to generate the money locally. To help fund the $100 million reduction, the House’s budget would transfer $63.3 million from the General Fund to the Education Trust Fund.

The total amount of State support for public education does not change because of this shift in revenue sources. However, this change may reduce property taxes raised locally as a percentage of total funding for education. Property taxes raised locally, including the SWEPT, accounted for about 73 percent of funding for local public education in New Hampshire in the 2019-2020 school year. Local property taxes alone, excluding SWEPT, accounted for 62 percent of all public school district revenues.

**LESS TARGETED THAN CURRENT AID**

This proposed change to SWEPT would replace $100 million for Adequate Education Aid from property taxes with other revenue sources, which would support funding for certain targeted aid. Adequate Education Aid includes the per pupil funding formula’s aid for schools serving those students eligible for free and reduced-price school meals, English language learners, and students with special needs. Adequate Education Aid also includes Stabilization Aid, which is based on portions of a prior funding
formula that were helpful for communities with more low-income students and less taxable property wealth per student; Stabilization Aid has continued to support many of those communities.

However, this proposed reduction in the SWEPT does not target aid to the communities with the highest levels of need, while provisions included in the current State Budget do provide more targeted aid. The SWEPT reduction would reduce the aggregate amount that the DRA would require to be raised locally by all communities, and while it would lead to an increase in the amount of money paid by other State-generated sources, it would not direct that aid in a way other than the current education funding formula.

The current State Budget includes a one-time provision, in effect for State Fiscal Year 2021, that directs more aid to communities with higher proportions of low-income students and lower amounts of taxable property wealth per student. Additional aid is provided for students eligible for free and reduced-price meals in communities with higher concentrations of students who are eligible for these assistance programs; as a result, those school districts serving more students from low-income families relative to higher-income families received more aid, on a sliding scale, during this fiscal year. Communities with less fiscal capacity to raise money locally through property taxes, as measured by the taxable property wealth per resident pupil within a municipality, also received more aid this fiscal year. Combined, these two provisions targeted an additional approximately $59 million in aid to school districts during State Fiscal Year 2021.

The SWEPT reduction would amount to more one-time aid for communities, with an additional $100 million flowing from the State, in State Fiscal Year 2023 than the one-time aid of $59 million deployed in the current State Budget for State Fiscal Year 2021. However, the dollars deployed in the current State Budget are more targeted. While the SWEPT reduction would provide additional funding to all communities generating money for SWEPT locally, the current State Budget uses measures of need and fiscal capacity to direct aid for supporting children from property poor communities and low-income families.

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