

MINUTES
City Council Legislative Subcommittee with Legislative Delegation
Friday, October 30, 2020 8:15 a.m.
Remote Meeting via Zoom

Participants Present via zoom meeting: Mayor Rick Becksted, Councilor Deaglan McEachern, Councilor Esther Kennedy, Councilor Paige Trace, City Manager Karen Conard, Assistant City Attorney Jane Ferrini, Guest Chris Dwyer. Addition attendees
Legislative Delegation: Tamara Le, Jackie Cali-Pitts, Laura Pantelakos, David Meuse, Rebecca McBeath, Gerry Ward, Senator Martha Fuller Clark, and additional guests Sue Polidura, Cynthia Hollandback and Rebecca Perkins Kwoka

- I. Greeting:** Mayor Becksted convened the zoom meeting at 8:18 a.m. and declared COVID-19 outbreak an emergency and waived the requirement that a quorum be physically present at the meeting pursuant to the Governor's Executive Order 2020-04 and Emergency Order #12, Section 3. Members participated remotely and identified their location and any person present with them at that location. Mayor Becksted, Councilor McEachern and Councilor Trace were alone in their homes and City Councilor Kennedy was in her school office. City Manager Karen Conard was at her home and Assistant City Attorney Jane Ferrini was alone in her office at City Hall. Representatives Le, Cali-Pitts, Pantelakos, Meuse, McBeath and Ward were alone in their homes as was Senator Martha Fuller Clark, Chris Dwyer, Sue Polidura and Cynthia Hollandback. The Mayor stated that all votes would be by roll call. Rebecca Perkins Kwoka join the meeting in progress.
- II. Minutes:** Councilor McEachern moved and Councilor Trace seconded a motion to approve the September 25, 2020 minutes. By roll call vote Mayor Becksted, Councilor McEachern, Councilor Kennedy and Councilor Trace voted in favor to pass the minutes. The motion passed by a unanimous vote.
- III. Update on Commission to Study School Funding by Chris Dwyer, Commission Member.**

Chris Dwyer, a member of the Commission to Study School Funding, gave background information on the Commission and introduced a power point attached and incorporated to these minutes.

Slide One- Series of Interrelated Questions. Chris Dwyer explained that the Commission has addressed the questions in green and the remaining questions on the slide are yet to be addressed.

Slide Two- Background Understanding- Chris Dwyer provided background on NH student performance and inequities and noted solutions are difficult because the State has insufficient authority to gather data and an inability to assess commercial properties accurately, the limited authority of the Department of Education and no effort at school consolidation that increase costs.

Slide Three- Commission Primary Methods- Chris Dwyer discussed the AIR Study and how it used NH DOE school data to compile its report. The Commission also heard testimony and reviewed reports from state/regional experts, focus groups, public comments and the Granite State Poll that reached over 1,000 NH citizens.

Slide Four- Chris Dwyer discussed the slide that shows current spending per pupil and equalized valuation per public with Portsmouth highlighted in yellow.

Slide Five- Chris Dwyer discussed the slide which demonstrates the relationship between student outcomes and free and reduced-priced lunch rates. The Committee noted the outcomes factors were significantly higher with school populations with smaller number of students receiving free and reduced-price lunch rates and the outcomes were lower with school populations with larger number of students receiving free and reduced-price lunch rates.

Slide Six- Adequacy defined in terms of outcomes. Chris Dwyer explained that the original education funding formula is based on an “Input” model, which basically adds up a list of associated costs and determines a base cost and an assignment of extra weight for students who have special needs, low income or are English learners, which is called differentiated aid. The AIR report describes an “Outcome” based approach, which constructs a composite outcome score (graduation rate, performance on state assessments, attendance) and determines the desired level of performance for all set at 50%, statistically determines what extra costs are required by students with different needs and predicts costs required for each district to achieve adequacy.

Slide Seven- Chris Dwyer summarized the Granite State Poll, which demonstrated that most people polled did not understand how the State funds education. Of note, the poll indicated most people thought the average amount spent by all districts is \$9,500 (actual \$19,000), with 55% agreeing that funding should be increased and 28% thought funding should remain the same. On the property tax questions, 44% of those polled thought education funding through local property taxes should be decreased and 32% thought it should stay the same. Regarding the questions on how to decrease reliance on local property tax, 47% oppose a statewide property tax, 69% oppose a sales tax and 69% oppose an income tax.

Slide Eight- Issues Commission currently discussing:

How should taxpayers’ ability to pay be considered and what would meaningful property tax circuit breaker for both low and moderate income home owners and deferrals for older residential taxpayers and how tax deferral works and if SWEPT should be applied at uniform rate. The other issue that needs to be discussed is accountability from districts receiving substantial State funds and

beyond the funding formula, what other types of categorical funding is necessary (school building aid, catastrophic aid, pre-K).

Committee and Legislative Delegates had a general discussion on issues related to education funding and the work of the Commission.

Councilor Kennedy pointed out that districts must apply for and use federal funds appropriately and that many smaller districts have needs but have no support to fill out the grants. She asked the Commission to think about this issue. Senator Fuller Clark asked how much of school funding is provided by federal funds and the impact of special education needs, given that the federal government has not helped the State with these costs. Chris Dwyer related that federal funds do not represent a large percentage of funds paid per pupil in State and transportation, like catastrophic aid, special education, are outside the current formula. Chris Dwyer said federal law requires every school to list the percentage of federal funds it receives and that information is provided in the State's database. Chris Dwyer noted that Councilor Kennedy had previously raised the issue that it is a district decision to keep or send a child with special needs out of district.

Representative Pantelakos asked if the Commission has looked at other sources of funding. Chris Dwyer replied that capital gains tax and tax on marijuana were the two most popular sources discussed, and an income tax was noted. There were discussions regarding that the Commission was trying to think outside of COVID-19 and that the legislative process will take up to 3 or 4 years.

Representative Cali –Pitts is concerned about people having difficulty paying their property tax during COVID-19. She is also concerned about the return of “donor” towns to fund education and having no control over where CARES Act money has gone. The group discussed the possibility that the federal government might level a 3% tax on real estate.

Chris Dwyer discussed the funding gap for those districts with greater need. She said that she thought that the Commission had accepted the concept that it is individuals that pay taxes, not towns and that moderate, as well as low income property owners need relief for the property tax. She noted that the Commission now understands that SWEPT needs to apply to current use and that we need reforms regarding how we as a State look at commercial property to ensure all type of property are taxed fairly, otherwise it all devolves to the residential property tax payer. She noted stereotyping towns was not appropriate, and there is a need to look at those communities that have enacted tax caps. She stated that there are a few communities that need financial assistance and if we were in another state, those districts would have been taken over by the State. She noted that Berlin and Claremont spend similar amounts on students to Portsmouth but achievement is not there.

Representative Jackie Cali Pitts discussed the need for more accountability and more transparency regarding how education funds are being used and Chris Dwyer said that might require legislation to give DOE a different level of authority. Councilor McEachern noted that Portsmouth's spending was average and that the high achievement speaks to outside influences like parents' ability to

pay for enrichment. He also noted that free and reduced lunch is not a good barometer for community wealth and given costs of housing, new families are prevented from moving to Portsmouth. Chris Dwyer said the Commission looked at Vermont and Massachusetts that take income into account for their formula but she discussed the challenges NH has because we do not have reliable income information.

Representative Le noted a shift in perspective would be helpful to the Commission by focusing on our return on investment rather than focus on need. She noted that always we are one of the lowest in the country for state contribution for special education, we have a high graduation and college matriculation rate for our special education students. She noted that retirement costs at a municipal level is huge and it would be helpful if there were some stop gaps for that and the State needs to be accountable to the downshifting of costs on municipalities.

Representative Meuse asked about the Supreme Court decision and whether it would upend the Commission's work. Chris Dwyer did not think it would because it is primarily about increasing base adequacy and the Commission and everyone is in agreement with that. Assistant City Attorney Jane Ferrini added there is a remote possibility that the constitutionality of SWEPT might be addressed but that was unlikely. She noted that the decision might help define adequacy and inform legislation. However, she noted that if the Court remands the case, there would be further hearings and likely further appeals.

Sue Polidura stated she was surprised and concern that the public is unaware of how much communities spend per pupil on education. Representative Panelakos noted the same amount of money has been raised year after year and Representative Cali Pitts said it is important to know how much is funded by the federal government.

Senator Clark asked if healthcare and retirement costs are driving costs up and it would be important to know how much of those costs represent the total per public cost. Chris Dwyer noted the lack of consolidated districts also contribute to high cost.

Chris Dwyer noted during a recent Fiscal Policy Group meeting of the Commission she was able to discuss Vermont and how divisive it was for one community to fund another and the Fiscal Policy Group agreed that if excess SWEPT was paid from one community to another it would sink the whole thing.

Senator Clark noted it would be important in the executive summary to explain "Input" and "Output" approach to education funding. The Mayor and Committee thanked Chris Dwyer for her work on the Commission and her presentation to the group.

IV. Discussion of issues of interest for potential legislation in 2021. Committee and Delegates.

- Homelessness
- Sustainable energy
- Plastic bags
- Creation of local sources of revenue
- COVID-19 relief
- Downshifting (reinstate funding levels for meals and rooms)
- Reducing burden on property tax regarding education funding

Mayor Becksted read the list and said some of these issues have been discussed in regular Mayors' roundtable calls. Councilor Kennedy noted the importance of addressing rooms and meals distribution but Representative Pantelakos said that any change in formula is likely not going to happen this year, though she would put a bill in. Representative Cali Pitts noted Senator Martha Fuller Clark's work over the years on a hotel occupancy bill but noted given COVID-19, a study committee would have better success than legislation to change the formula this year. Senator Fuller Clark thought that the Mayors' group would be influential on this issue and encouraged the group to look broadly at enabling legislation that allows municipalities additional sources of revenue would be worthwhile, along with legislation regarding valuing commercial property. Mayor Becksted raised concern about artificial increase in real estate prices due to COVID-19 and that property taxpayers will suffer and need help through legislation.

- V. Update on communication with former donor towns regarding SWEPT. Verbal report from Assistant City Attorney Jane Ferrini. Jane Ferrini reported that she had a web meeting with some former donor towns (Bridgewater, Waterville Valley, Meredith, Newington and Holderness). She noted some of these towns are now more aware of the Commission's work and participated in the most recent public comment. She noted that Councilor Kennedy and Councilor McEachern spoke at the last public comment session, along with Waterville Valley and Newington and written comments were submitted from Bridgewater. She noted that Waterville Valley noted an increase in school population and permanent resident who converted second homes to permanent homes and how that has impacted not only school budgets but town budgets. She noted that the last public comment session more comments were from former donor towns and the Chair said it was refreshing to hear other voices. During the call the participants discussed hiring a lobbyist but thought it was premature given that the final report is not finished but more former donor towns were aware of the issue.

Mayor Becksted discussed homelessness and the Mayors' letter, reported that the State has not done much on its plan for the homeless for over the last 14 year. Senator Fuller Clark asked if Portsmouth has seen an increase in evictions and Mayor Becksted reported the good work of Crossroads House and our local hotels who were able to help. Senator Clark suggested recognizing these hotels publically. Senator Clark also noted the problem with homeless youth and there is only one sober home in Rockingham County. Councilor Trace echoed Senator Fuller Clark's concern, and explained how COVID-19 and an opioid crisis leaves this vulnerable

population with no place to go. She would like to get the City Council to address this problem soon and will reach out to the City Manager to put this issue on a City Council Agenda. Councilor Kennedy said that federal law requires schools to deal with youth homelessness and there are serious issues with lack of foster families and work should be coordinated with state agencies along with issues with the homeless adult population.

IV. Schedule next meeting with Portsmouth delegates.

The Committee discussed scheduling the next meeting in January after the session has begun at the call of the Chair.

V. Adjournment. The meeting adjourned at 9:56 a.m.

For updated status of bills and the Senate and House Calendars, see: <http://www.gencourt.state.nh.us>. For information regarding the New Hampshire Municipal Association's Bulletin, see: <http://www.nhmunicipal.org/LegislativeBulletins>