

MINUTES
City Council Legislative Subcommittee
Monday, March 28, 2022 at 9:00 a.m.
Conference Room A, 1 Junkins Ave., Portsmouth, NH

In attendance: Mayor McEachern; Assistant Mayor Kelley; Councilor Tabor; Councilor Cook; City Manager Conard; Assistant City Attorney Ferrini; School Business Administrator Lunney; Ward 3 Representative Hamblet;

I. Greeting: Mayor McEachern began the meeting at 9:09 a.m. with a roll call.

II. Approval of March 7, 2022 Minutes

Councilor Tabor moved and Assistant Mayor Kelley seconded a motion to approve the March 7, 2022 minutes. The motion passed by unanimous vote of the Committee.

III. NH Education Funding Commission - Key Findings and Challenges, Chris Dwyer

Ms. Dwyer presented slides highlighting NH Education Funding Commission (EFC) key findings and challenges. She discussed the EFC history and composition of its members.

Slide 1: How The Commission Operated. Ms. Dwyer discussed what “uniform” could mean for financing education and talked about the use of the word “adequate” regarding funding. Through an RFP, the EFC conducted a study to predict what the cost would be to achieve statewide average distribution based on needs, characteristics and performance. The data is reasonably accurate and she added that it was key that many experts came to the Commission to testify.

Slide 2: Adequacy defined in terms of outcomes. Ms. Dwyer said the state of the art has changed regarding school funding and she discussed the previous use of “Input Based” versus transitioning to “Output Based” approaches to funding. The EFC chose a firm that would do the output based approach. She discussed construction of a composite outcome score and this being a proxy for outcomes. Lastly, she explained how the EFC determined what costs are needed based on having set the desired level of performance for all (ex: 50%).

Slide 3 – Pieces of the puzzle. Disparities in opportunities and outcomes persist in spite of NH students performing at relatively high levels. There is a lack of understanding from the public on how NH funds education and there is no uniform opinion on how to fund education based on the data from surveys taken by the EFC.

Slide 4: Questions that were answered. She said questions that were reasonably answered in the work of the Commission include: scope of current inequities; adequate education to meet requirements; cost per pupil; varying costs; equalized valuation and gaps between funding and costs.

Slide 5. Questions that did not receive adequate attention include how to pay for costs. Someone would really have to delve into the sources of revenue to meet the gaps.

The Mayor asked if the Commission talked about identifying the problem and realized that a solution would be out of grasp if there was no way to fund. Ms. Dwyer answered no.

The Mayor asked Ms. Dwyer if she had time to consider if the NH Freedom Accounts would change the Commission's recommendations. She said she did not think it would change the pattern of inequity and it was too early to tell if it would. She thought probably not hurt but it would not likely help.

Slide 6: Districts with higher property values generally spend more than districts with lower property values. This slide showed Current Spending Per Pupil as a function of Equalized Valuation Per Pupil. The graph showed that Portsmouth spends a little above average.

Slide 7: Districts with lowest poverty rates typically have outcomes that are 1-2 standard deviations below the state average. This slide showed a table of the relationship between student outcomes and free or reduced lunch rate. Manchester was at the lowest achievement level, and Portsmouth has a high student outcome. It is easy to see what the 'not spending' does and how it influences achievement. The pattern shows extreme disparity compared to other states.

The Mayor asked if there was a way to break out the data on who gets free or reduced lunch, and Ms. Dwyer said that could be weighted but was not done. The Mayor would be interested in that data.

Councilor Cook, Ms. Dwyer and Mr. Lunney discussed cost of living, teacher salaries and accounting for variations in income versus outcome based approaches to funding.

Slide 8: Selected Commission recommendations include: increased State funds; differentiated weights; elimination of excess SWEPT 'grant' with no retention of excess SWEPT and property tax relief to low/moderate income homeowners.

Slide 9: Concerns. Ms. Dwyer said the EFC did not talk about the ability to pay; alternative revenue sources; addressing flaws and fairness and the weak position of the Department of Education in terms of accountability and support of districts. She noted there was no guarantee that the amount that Portsmouth sent to the State was used for improving the schools. We need a guarantee or enforcement mechanism so that we would know that the

\$11,000,000 that Portsmouth sent would go to improving the schools. She said this was raised but not addressed.

The Mayor thanked Ms. Dwyer for her presentation.

Councilor Tabor said disparities between communities keeps widening as more towns are moving into the low end. It would be hard to stop all those towns if they banded together.

Ms. Dwyer said there are high administrative costs for small districts. Cooperative districts are breaking up and moving in the wrong direction. The goals should be outcomes and opportunities for kids.

Attorney Ferrini said the NH Fair Funding project has worked hard on identifying those communities and have been going to those towns to present the findings of the Commission. Ms. Dwyer said it is a real uphill battle and the pandemic exasperated that.

Mayor said the NH Constitution states that taxes must be applied equally. For example 5% would be different in Portsmouth than in Rochester. Those present discussed legislation; administrative costs; merging districts and incentivizing doing so. Ms. Dwyer mentioned Maine and Vermont as examples.

Councilor Cook gave examples and discussed small districts. Ms. Dwyer will be interested to see how Education Freedom Accounts (EFA) will play out.

The Mayor said as the bills come back, he would love to have Ms. Dwyer back to discuss how Portsmouth can make a case for equity and our position with SWEPT. He thanked her.

IV. Education Freedom Accounts, Nathan Lunney, School Business Administrator

Mr. Lunney gave some history. His research shows that there is not very much impact in Portsmouth so far. The impact will come from the number of students that withdraw to take advantage of EFAs and it impacts state funding. He gave an example that 25 students here spread across 12 grades would not have much impact, but across one grade would result in a larger impact. That is the quick answer.

Mr. Lunney said there is the possibility that kids will tuition in. He said the EFA was established by the Legislature in June 2021 for funds to be made available to eligible families upon successful application. He discussed financial requirements and restrictions. The Mayor asked if there was an asset limit. Mr. Lunney said it is a substantial application process, but he'll get that information.

He further discussed sole source contract; managing funds for the students and the transfer of funds to the Education Trust Fund and the scholarship organizations. Those funds can be used for tuition, fees, supplies, transportation, higher education, anything reasonably related to education. He said eligibility is the most important in the first year. He

discussed the base amount being 90% of what the State figures and 10% administrative costs figured. The base amount is \$3,400 and he discussed differentiated aid categories, with the upper end being approximately \$8,200. He discussed a phase out grant and said Portsmouth has a calculated adequacy that is lower than its property tax generates each year. He said his most recent research indicates that three students were participating in EFA. He anticipates that Portsmouth is not likely to see an impact in its funding stream.

The Mayor thanked Mr. Lunney.

V. Discussion of Legislation of interest to Mayors' Roundtable

The Mayor discussed the two bills the group spoke about. One included writing a letter to State to increase the contribution to the retirement accounts to 7%. This was suggested by Mayor of Manchester. The Mayor anticipates that this was not likely to make it out of the House.

There also was support for a letter regarding Senate Bill 249. The Mayor was unclear where that stood. It would be sent to Concord and should be sent to the Governor.

VI. Discussion of Legislation of interest to City of Portsmouth

<https://www.cityofportsmouth.com/sites/default/files/2022-03/BillsTracked%202022.03.22.pdf>

Attorney Ferrini said both the Senate and the House will be voting on numerous bills that are left this week for crossover. She gave updates on the following bills:

- HB1033 – This was voted inexpedient to legislate (ITL).
- She said we were looking at statewide zoning bills and many died of natural causes.
- HB1177 was tabled.
- HB 1098 was voted ITL.
- HB1087 tabled.
- HB1072 tabled.
- HB1255 was voted ITL
- The Sanctuary Cities bill was amended, and she has reached out to get details of the amendments. They will move forward on testimony on remaining bills when they crossover.

The Assistant Mayor would like to see HB1393 tracked, the school budget cap. She believes that should stay in house and be a School Board decision. Attorney Ferrini will track this bill.

Councilor Tabor asked if Short Term Rental bill likely to pass, and Attorney Ferrini answered yes.

Attorney Ferrini discussed crossover. For all bills that survive, they will be assigned to new committees, but many get weeded out. There will be ability for public testimony at that time.

The Mayor discussed the affordable housing argument regarding Sb 249 and how short term rentals that do not have a residency requirement would exacerbate the housing shortage. He acknowledged property rights but expressed concern about people developing multiple houses into short term rentals and how that impacts housing in Portsmouth. He has addressed a letter to the Governor. The Mayor said there are two different rental markets, short vs. long. This would push rents up and housing prices up along the Seacoast in general and Portsmouth in particular.

VII. Adjournment.

Councilor Cook moved to adjourn and Councilor Tabor seconded. Motion passed unanimously and the meeting was adjourned at 10:14 a.m.