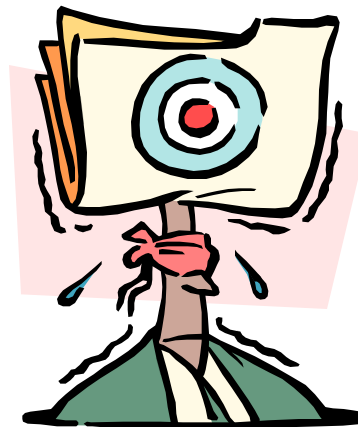


New Hampshire Education Funding Reform

G. Philip Blatsos
New Hampshire Department of
Revenue Administration

OR

- Everything I learned
in Reform School



Education Facts

- New Hampshire has had compulsory public education since 1647.
- A "free" public education system has existed since these early days.
- In 1850 a constitutional convention tried to add a "persons right to an education," it failed.
- By most outcome measures NH has an excellent education system

Tax Facts

- New Hampshire has no general sales tax.
(Interest and Dividends Tax)
- New Hampshire has no general Income tax.
(Meals and Rooms Tax)

Let the Games Begin

- December 17, 1997 Supreme Court over turns funding of education through local property tax (Needs to have a uniform rate)

The Court Did Not Mandate Increased Spending

- Some portion of the local property tax must be replaced by a state wide tax.
- Any tax that funds a constitutionally adequate education is a state tax
- Cost estimates vary from \$625 to \$940 million



Tried and Died

- Guaranteed tax base, ABC (Court killed)
- Income Tax (Legislative end)
- Sales Tax (Legislative end)
- Gross Receipts Tax (Legislative end)
- Constitutional Amendment (Legislative end)

What did emerge from the first round

- State property tax should fund about 50%
- The amount to be funded is \$825 million
- The real decisions were philosophical based not economic

The people

- 30 % like income tax
- 30% like state property tax
- 30% like sales tax
- 10% no real preference



Deadlines Loomed

- A some point soon schools would close
- Our ability to sell
- Bonds was being damaged
- The people wanted an end



All Plans Had a State Property Tax Component

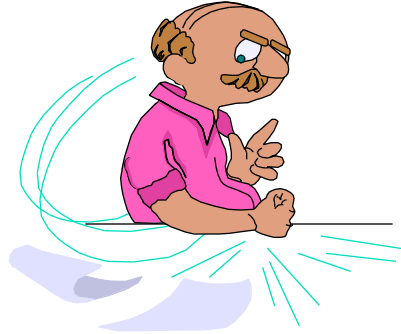
The rates for the new taxes were too
high without a property tax
component

HB 117

- State wide property tax \$6.60 (Phase in donor towns)
- Increased Business Tax
- Extend Meals and Rooms tax to Auto Rental
- Increased Real Estate Transfer Tax
- \$100 million in one time (mostly surplus) money
- Expires in 4 years

Here comes the Judge

- Court says no to donor town phase in



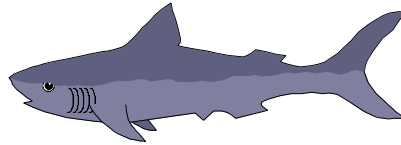
HB 999

- Same as 117 no phase in
- Hardship relief for poor
- All set to 2004



Budget year 2002 -2003

- Failure to act places next crisis in election year
- Same players Income tax, Sales Tax, Gross Receipts Tax, and combination of existing taxes



Same outcome

Except the repeal is repealed

Why

- Physics *** inertia ***
- The Devil we know
- There was not a general unhappiness with the current system