



### **Background**

Chapter 258, Laws of 2011 (HB 337-FN-LOCAL) made significant changes to the calculation of adequate education grants under RSA 198:40-a and RSA 198:41, effective in FY 2012. The bill included, but was not limited to, a repeal of fiscal capacity disparity aid, changes to the formula's differentiated aid components, and the elimination of excess education property tax payments to the State ("donor towns"). In an effort to ease the impact of these changes, HB 337 included a provision to ensure municipalities would not experience a significant reduction in aid. Each municipality for which its FY 2012 calculated education grant was less than its FY 2011 total education grant, received a Stabilization Grant for 100% of the difference. If a municipality was distributed a Stabilization Grant, HB 337 added the same dollar amount of its 2012 Stabilization Grant to its total education grant in FY 2013 and each year thereafter.

**The annual total for all Stabilization Grants is \$158.5M.**

### **Changes to the Stabilization Grant**

Stabilization Grants remained unchanged from FY 2012 through FY 2016, meaning each town received the same fixed dollar amount each year as part of its total education grant. Chapter 276, Laws of 2015 (HB 2-FN-A-LOCAL) amended the Stabilization Grant for the first time since its inception, ***by reducing it annually by four percent of the original amount beginning in FY 2017***, ultimately phasing it out completely in 25 years. Chapter 8, Laws of 2016 (SB 227-FN) further amended the determination of Stabilization Grants, effective in FY 2017, by eliminating it entirely in any fiscal year in which the municipality has no pupils or its statewide education property tax (SWEPT) revenue collected exceeds its total cost of an adequate education.

The following table illustrates the Stabilization Grant for three different municipalities; Town A (affected by SB 227), Town B (affected by HB 2), and Town C (does not receive a Stabilization Grant):

	Town A	Town B	Town C
<b>Stabilization Grant Determination</b>			
FY 2011 Education Grant	\$ 248,981	\$ 6,931,339	\$ 5,317,323
FY 2012 Calculated Grant	\$ -	\$ 3,267,566	\$ 8,345,760
Stabilization Grant (If FY 2011 > FY 2012)	\$ 248,981	\$ 3,663,773	N/A
<b>FY 2012 - FY 2016 Stabilization Grant</b>	<b>\$ 248,981</b>	<b>\$ 3,663,773</b>	<b>N/A</b>
<b>FY 2017 Stabilization Grant</b>			
Does Municipality Have Zero Pupils?	No	No	N/A
Does SWEPT Exceed Cost of Adequacy?	Yes	No	N/A
SB 227 Reduction	\$ (248,981)	\$ -	N/A
HB 2 Reduction (4% Annually)	N/A	\$ (146,551)	N/A
<b>Net Stabilization Grant</b>	<b>\$ -</b>	<b>\$ 3,517,222</b>	<b>N/A</b>