

# WEBINAR: Understanding the Statewide Education Property Tax (SWEPT)

Monday, October 18  
3-4 p.m

# Reaching Higher NH: A Public Education Policy Resource

## What we do

Track, report on, and explain public education legislation in a way that stakeholders can understand and use to make informed decisions.



Convene and work with parents, students, educators, and business and community leaders to gather stories, different points of view, and information to share with the Granite State community.



Prepare and deliver policy briefs on critical topics in education.



Support local innovation through special projects in communities throughout NH.



Reaching Higher NH is a nonpartisan public education policy resource for New Hampshire families, educators, and elected officials.

Our mission is to support high quality public education for every student in New Hampshire.

# Agenda

- Welcome and Introduction to the NH Education Network
- Overview of the Statewide Education Property Tax (SWEPT)
- Discussion and Questions



# Overview and Purpose of the Network

The NHEN functions as an information and resource sharing hub for members, where we share the goal of a high-quality public education for all students.

**Responsive to needs of  
young people, families,  
and communities**

**Equitable opportunities  
and outcomes**

**Student-centered:**  
Deeper Learning  
High Standards  
Meaningful Pathways

**Knowledge & Skills  
to Thrive**

# NH Department of Education

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**SWEPT is one of the four common tax rates that property tax payers have to pay their local tax collector.**

- 1) Municipal Property Tax
- 2) County Property Tax
- 3) Local Education Property Tax
- 4) Statewide Education Property Tax (SWEPT)

# How is the SWEPT tax rate calculated?

## SFY 2022 SWEPT Calculation

$$\begin{array}{r} \$363 \text{ Million Revenue} \\ \hline \$199 \text{ Billion In State Property} \\ = \\ \$1.82 \text{ Per } \$1,000 \end{array}$$

## SFY 2023 SWEPT Calculation (Estimated)

$$\begin{array}{r} \$\mathbf{263} \text{ Million Revenue} \\ \hline \$214 \text{ Billion In State Property} \\ = \\ \$1.23 \text{ Per } \$1,000 \end{array}$$

# What is SWEPT?

- SWEPT is both a **State Revenue** and a **State Expenditure** which results in local education revenue.
- **State Revenue**: As a State revenue, SWEPT is unique in that the money never enters a State bank account.
- **State Expenditure**: As a State expenditure, SWEPT is unique in that the State never cuts a check for school districts to receive the SWEPT money owed to them.
- The SWEPT is raised and retained locally (collected by the municipality & paid to school districts).



### **State's Perspective:**

From the State's perspective, this is a State tax we assess and record as State revenue and also record the act of letting School Districts retain 100 percent of the SWEPT as a State expenditure.

### **School District's Perspective:**

From the perspective of the School District, the SWEPT received from their local municipal tax collector is considered unrestricted State revenue just like non-SWEPT adequacy payments. While the District through local fiscal decisions can influence the local education property tax rate, they cannot directly influence the Statewide Education Property Tax.

### **Property Tax Payer's Perspective:**

From the perspective of the local residential property tax payer, the SWEPT likely feels no different than the local education property tax they pay to support their school. However, from the perspective of the State and School District the difference in the two taxes becomes more apparent.



# SWEPT Reduction - SFY 2023

(State & Local SWEPT Impact Before Considering Adequacy Grants or HB2 SWEPT Hold Harmless Grants)

|                         | State Perspective   |                         | Local Perspective   |
|-------------------------|---------------------|-------------------------|---------------------|
|                         | SWEPT State Revenue | SWEPT State Expenditure | Local SWEPT Revenue |
| <b>Original Amount</b>  | \$363 Million       | \$363 Million           | \$363 Million       |
| <b>SWEPT Reduction</b>  | (\$100 Million)     | (\$100 Million)         | (\$100 Million)     |
| <b>New SWEPT Amount</b> | \$263 Million       | \$263 Million           | \$263 Million       |

# SWEPT Reduction & State Adequacy Aid Impact - SFY 2023

|  | State Perspective |                   | Local Perspective |
|--|-------------------|-------------------|-------------------|
|  | State Revenue     | State Expenditure | Local Revenue     |
| <b>SWEPT Reduction</b>                                   | (\$100 Million)   | (\$100 Million)   | (\$100 Million)   |
| <b>Existing Adequacy Formula Increases Automatically</b> | \$0               | \$85 Million      | \$85 Million      |
| <b>SWEPT Reduction Hold Harmless Grant</b>               | \$0               | \$15 Million      | \$15 Million      |
| <b>New Aid Amount</b>                                    | \$0               | \$100 Million     | \$0 Million       |

# Example #1 – Non-Excess SWEPT School District Has Their Adequacy Grant Increase As SWEPT Decreases

|             | Cost of Adequate Education | New SWEPT Amount @ \$263 Million Raised Statewide | Adequacy Grant | Old SWEPT Amount @ \$363 Million Raised Statewide |
|-------------|----------------------------|---|----------------|---|
| District #1 | \$22 Million               | \$5 Million                                       | \$17 Million   | \$7 Million                                       |

Prior to the SWEPT decrease, their Adequacy Grant was \$15 million so it increased \$2 million.

|                                    |  |
|------------------------------------|--|
| Net Impact to the School District: | <u>Zero</u> – Receives \$22 million regardless |
| Net Impact to the Tax Payers       | \$2 million tax cut due to reduced SWEPT       |

# Example #2 – Excess SWEPT School District Receives Hold Harmless Grant for Loss in SWEPT Revenue

|             | Cost of Adequate Education | New SWEPT Amount @ \$263 Million Raised Statewide | Adequacy Grant | Old SWEPT Amount @ \$363 Million Raised Statewide | Hold Harmless Grant To Mitigate Loss in SWEPT |
|-------------|----------------------------|---|----------------|---|---|
| District #2 | \$2 Million                | \$4.5 Million                                     | \$0 Million    | \$6.5 Million                                     | \$2 Million                                   |

Prior to the SWEPT decrease, the SWEPT Grant was \$6.5 million, so \$2 million was added to the \$4.5 million.

|                                    |   |
|------------------------------------|---|
| Net Impact to the School District: | <u>Zero</u> – Receives \$6.5 million regardless |
| Net Impact to the Tax Payers       | \$2 million tax cut due to reduced SWEPT        |

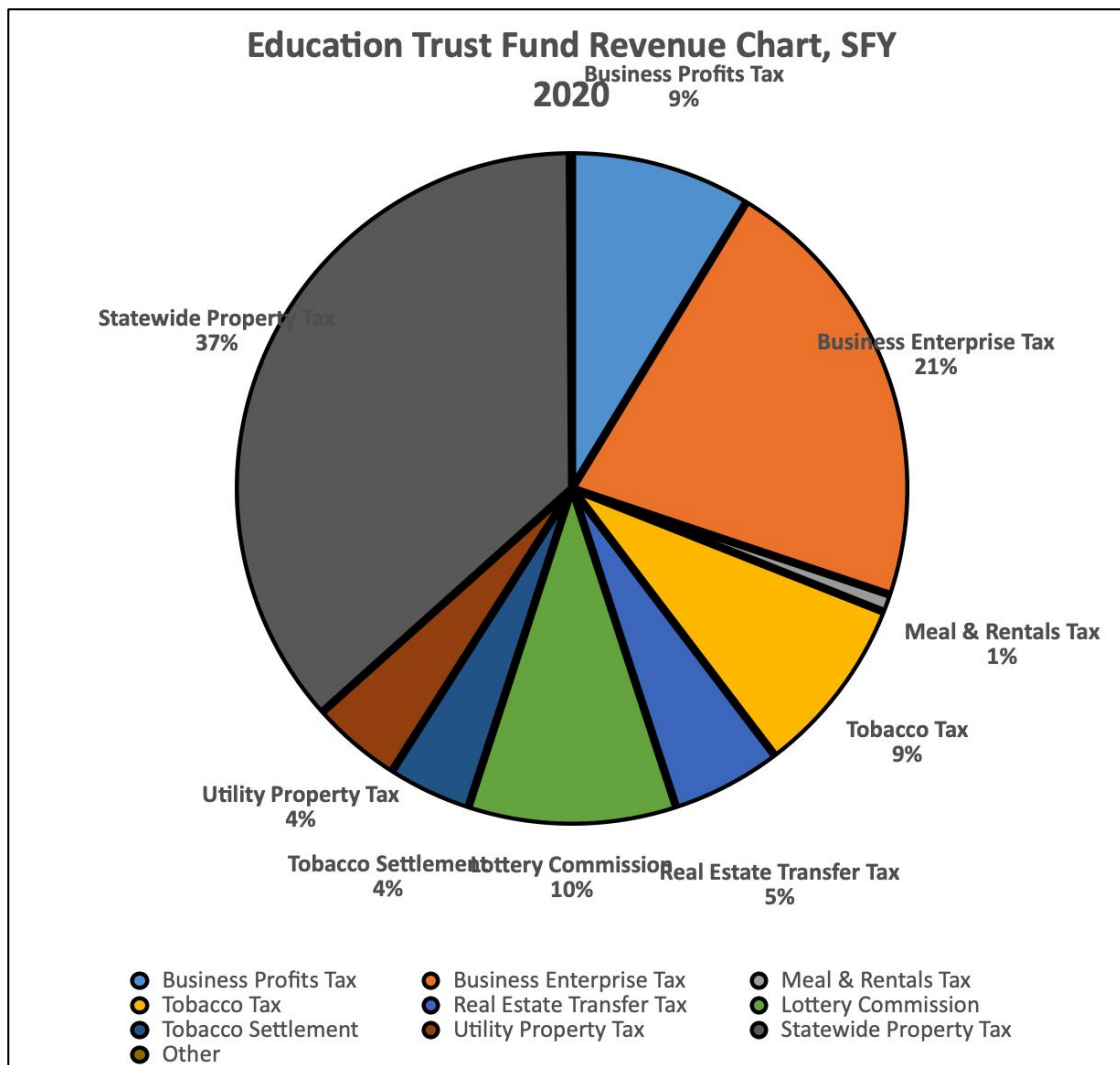
# Example #3 – Previous Excess SWEPT School District Becomes a Non-Excess SWEPT District, Thereby Increasing Their Adequacy Grant But They Are Also Held Harmless Due to the Loss in SWEPT Revenue

|             | Cost of Adequate Education | New SWEPT Amount @ \$263 Million Raised Statewide | Adequacy Grant | Old SWEPT Amount @ \$363 Million Raised Statewide | Hold Harmless Grant To Mitigate Loss in SWEPT |
|-------------|----------------------------|---|----------------|---|---|
| District #3 | \$3 Million                | \$2.5 Million                                     | \$0.5 Million  | \$3.5 Million                                     | \$0.5 Million                                 |

Prior to the SWEPT decrease, the SWEPT Grant was \$3.5 million, now the district receives \$2.5 million in SWEPT and \$0.5 million in adequacy grant and \$0.5 million in SWEPT hold harmless. The total remains at \$3.5 million.

|                                    |   |
|------------------------------------|---|
| Net Impact to the School District: | <u>Zero</u> – Receives \$3.5 million regardless |
| Net Impact to the Tax Payers       | \$1 million tax cut due to reduced SWEPT        |

# State Revenue For Education



| SFY 2020 Education Trust Fund Revenue By Category (Dollars in Millions) |                 |
|---|-----------------|
| Revenue Category  | SFY 2020        |
| Business Profits Tax  | \$ 86.6         |
| Business Enterprise Tax   | 213.2           |
| Meal & Rentals Tax  | 8.6             |
| Tobacco Tax   | 86.2            |
| Real Estate Transfer Tax  | 52.8            |
| Lottery Commission  | 99.8            |
| Tobacco Settlement  | 40.0            |
| Utility Property Tax  | 43.3            |
| Statewide Education Property Tax  | 363.2           |
| Other   | 1.1             |
| <b>Total</b>  | <b>\$ 994.8</b> |

Source: SFY 2020 State of NH Comprehensive Annual Financial Report






# What about fiscal capacity disparity aid?



# What about fiscal capacity disparity aid?

- For **48 communities**, the amount of fiscal capacity disparity aid (FCDA) they received in 2021 was larger than the tax relief provided as part of the SWEPT reduction (\$22 million difference\*)
  - **SWEPT** provided \$0.60 per \$1,000 in tax relief
  - **FCDA** provided targeted relief
    - Derry: \$2.40 per \$1,000 (\$1.6 million difference\*)
    - Northumberland: \$8.81 per \$1,000 (\$447k difference\*)
    - Pittsfield: \$6.89 per \$1,000 (\$580k difference\*)

# What about fiscal capacity disparity aid?

|  | NORTHUMBERLAND   | DERRY   | MOULTONBOROUGH  |
|--|--|---|---|
|  |  |  |  |
| Average Home Value*                          | \$111k   | \$385k  | \$533k  |
| Impact on Tax Bill:<br>SWEPT                 | \$56 savings   | \$192 savings   | \$267 savings   |
| Impact on Tax Bill:<br>Targeted Relief Funds | \$596 increase   | \$358 increase  | No change   |
| <b>Impact on Property<br/>Tax Bill</b>       | <b>\$540 tax increase</b>  | <b>\$166 tax increase</b>   | <b>\$267 tax savings</b>  |

\*Average home values according to Zillow, accessed June 10, 2021





# Questions & Comments

# Reminders & Announcements

- Register for the NH Education Network: Link in chat
- Next meeting date: November 8
- Survey:
  - **What other topics would you like to see covered?**
  - **How would you like to stay involved?**

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