

**William A. Duncan**  
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**603-436-6306**

Via email, original mailed

Mr. John Lighthall  
NHDRA  
Education Tax Credit  
PO Box 488  
Concord, NH 0302-0488

August 15, 2013

Dear Mr. Lighthall:

Attached is my complaint concerning the Network of Educational Opportunity (NEO) in its role as a scholarship organization under the Education Tax Credit program.

Based on a correction made today to the Concord Monitor story on NEO, this is an update to my complained filed yesterday. I have removed the page 2 paragraph concerning a second issue. There is no change to the complaint form itself.

As reported by NHPR on June 24 and again today by the Concord Monitor, NEO is not awarding scholarships according to the requirements of RSA 77-G. If this is not corrected immediately, many students and families will be inconvenienced or make financial or school attendance decisions based on commitments from NEO that do not conform with the statute (or the clear intent of the Legislature).

In the Concord Monitor story today, NEO announces that it will award 100 scholarships this year, 15 of which are to public school students. The organization plans to allot 70% of the scholarship funds to those 15 students. If all of this year's \$235,000 in donations go to scholarships, 70% or \$164,500 would go to those 15 students. The State would be funding scholarships averaging \$10,967 for each of those students.

This illogical result was not the intent of the Legislature. RSA 77-G:2 (b) says in part: "In each of the first and second program years, a scholarship organization shall award a minimum of 70 percent of all scholarships issued to eligible students as defined in RSA 77-G:1, VIII(a)(1) and (2)." (The referenced sections describe public school students for whom the school would have received an adequacy grant or students who had received an ETC scholarship the previous year.)

There can be no serious question that the statute requires that the 15 public school students must comprise 70% of the students, not that they receive 70% of the scholarship money. The Fiscal Note, which was revised many times and was the subject of detailed legislative scrutiny, includes the following (I have highlighted the 70% calculation):

"The Department states this bill requires that 70% of scholarships must come from students who will reduce adequacy payments, and the other 30% will be split between home school students (30%) and students who will not reduce adequacy payments (70%). It is assumed the number of scholarships will total 1,544 in FY 2014, 2,285 in FY 2015, and 2,850 in FY 2016. **Of these totals, a scholarship organization shall award**

**a minimum of 70% or 1,081 of all scholarships to public school students in FY 2014, 70% or 1,599 in FY 2015, and 65% or 1,853 in FY 2016.** The Department states the number of students receiving scholarships would be deducted from the adequate education grant amount disbursed to the pupil's school district of residence."

NEO clearly does not intend to administer its scholarship program in a manner that adheres to the statute or your regulations and is clearly modeled in the Fiscal Note.

This provision of the law was at the heart of the legislative debate about the education tax credit bills (SB 370 and HB 1607). The central tenet of the ETC program was that it be revenue neutral to the state in the early years because the state adequacy grants withheld from school districts would offset the cost of the tax credits. However, the NHDRA has allocated \$199,750 in tax credits this year. If those tax credits fund scholarships for 100 students, only 15 of which are public school students, the state will save only approximately \$61,500 from reduced adequacy payments (assuming an average adequacy payment of \$4,100 for each of those 15 students, though the average payment would vary depending on the students and towns selected).

As a result, this very small version of the ETC program would cost the State over \$130,000. If the program ever did achieve its anticipated scale, the impact would be even more substantial.

PARAGRAPH REMOVED BASED ON CORRECTION IN UPDATE TO THE CONCORD MONITOR STORY

The department should not wait for future reports from the scholarship organization. It should take action now. The two issues noted here involve the simplest and most obvious requirements of the law. There are a number of other areas of potential concern.

It is clear that NEO does not have the capacity to administer the ETC program on behalf of New Hampshire tax payers. NHDRA or the Attorney General should review the NEO program immediately.

Yours truly,

/signed/

William A Duncan



COMPLAINT FORM

PRINT OR TYPE  
STEP 1

**COMPLAINANT INFORMATION**

1. NAME:  
*William Duncan*

2. ADDRESS:  
*Box 760*  
ADDRESS (CONTINUED):  
*12 Cranfield St.*

3. CITY/STATE/ZIP:  
*New Castle, NH 03854*

4. HOME PHONE NUMBER:  
*603-436-6306*

5. WORK PHONE NUMBER:  
*603-682-4748*

6. EMAIL ADDRESS:  
*WADUNCAN@GMAIL.COM*

STEP 2

**PARTY AGAINST WHOM COMPLAINT IS ALLEGED**

7. NAME:  
*Networks for Educational Opportunities*

8. ADDRESS:  
*8 North Main St., Ste 8*  
ADDRESS (CONTINUED):

9. CITY/STATE/ZIP:  
*Concord, NH 03301*

10. TELEPHONE NUMBER:  
*603-785-0174*

STEP 3

11. CONCISE STATEMENT CONCERNING THE ALLEGED VIOLATION INCLUDING CITATION OF APPLICABLE SECTION OF RSA 77-G AND/OR REV 3200:

*According to the 8/14/13 Concord Monitor, NFO plans to give 100 scholarships, only 15 of which are to public school students. Sec. RSA 77-G:2 (b) says, "In each of the first two years, a scholarship organization shall award a minimum of 70% of all scholarships [to public school students]."*

12. STATEMENT OF FACTS: Please explain the basis for your complaint. If necessary, attach additional sheets.

*The evidence is the Kathleen Ronayne story today in the Concord Monitor.*

13. NAMES AND PHONE NUMBERS OF WITNESSES:

*Kathleen Ronayne, 603-369-3309*

STEP 4

Under penalties of perjury, I declare that I have examined this document and to the best of my belief the information herein is true, correct and complete.

*[Signature]*  
COMPLAINANT'S SIGNATURE (IN INK)

*8/14/13*  
DATE

*WILLIAM A. DUNCAN*  
PRINT SIGNATORY NAME & TITLE

MAIL TO: NH DRA  
EDUCATION TAX CREDIT  
PO BOX 488  
CONCORD NH 03302-0488