



# Hanover FY24 Budget Proposal

December 14, 2022

# Agenda

Budget Process

Budget Summary

Net Assessment

Tax Rates

Budget Options

Warrant Considerations

# Budget Process

# Hanover Board will discuss the first reading of the District budget tonight, adopt in January and district vote in March



**Sept 14**  
Hanover Board approved budget guidelines, 3% expenditure cap based on quick model developed in August



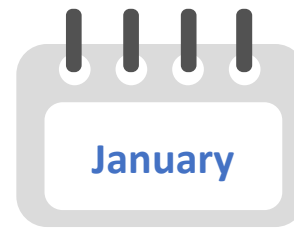
**Nov 1**  
Budget Committee reviewed first draft budget, expenditures & enrollment only

**Nov 21**  
Budget Committee saw second draft with Hanover Finance Committee

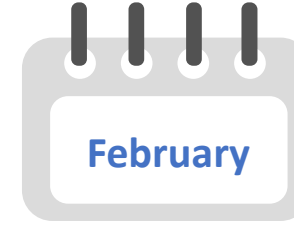


**Dec 12**  
Hanover Finance Committee gave feedback on school budgets

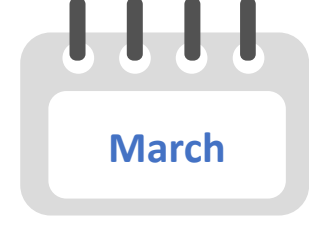
**Dec 14**  
Hanover School Board discusses first reading of budget proposal



**Jan 11**  
Hanover School Board discusses second reading of budget proposal and adopts budget



**Feb 23**  
District Meeting / Deliberative Session at 5pm



**Mar 7**  
District Voting Day

# Hanover Budget Committee aims to prepare draft budget that best supports our students and community



## Membership

Ben Keeney, Board Chair  
Kim Hartmann, Budget Committee Chair  
Jay Badams, Superintendent  
Jamie Teague, Business Administrator  
Lauren Amrhein, Principal  
Nan Parsons, Interim Principal

Also, met jointly twice with Dresden and SAU 70 Budget Committees:

- 1) August: Recommend budget guidelines
- 2) November: Review draft budget proposal



## Role

Prepare draft budget that best supports our students and community while adhering to board guidelines

If these goals conflict, the Budget Committee will provide enough information for the Board to act

The Board will ultimately either change guidelines or change budget

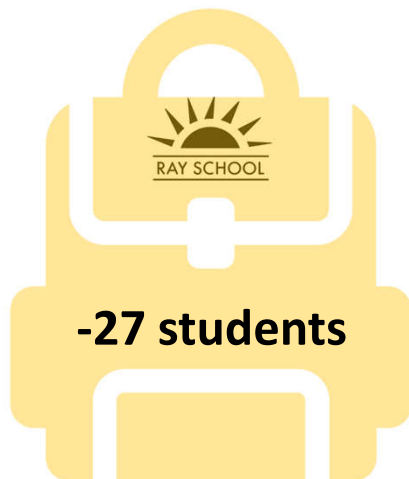
# Budget Summary

**Ray School enrollment is expected to be largely the same as this year, lower than FY23 budget due to smaller Kindergarten cohort**

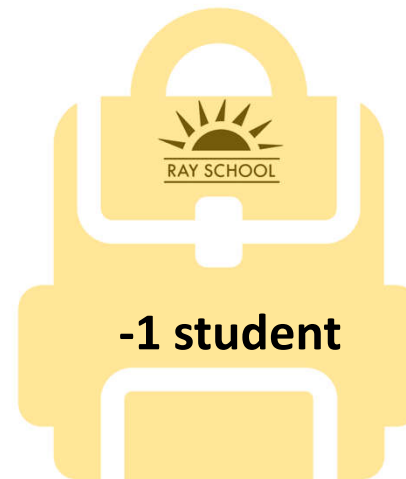
**Projected FY24 Ray School Enrollment: 458 students**

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**vs FY23 Budget**

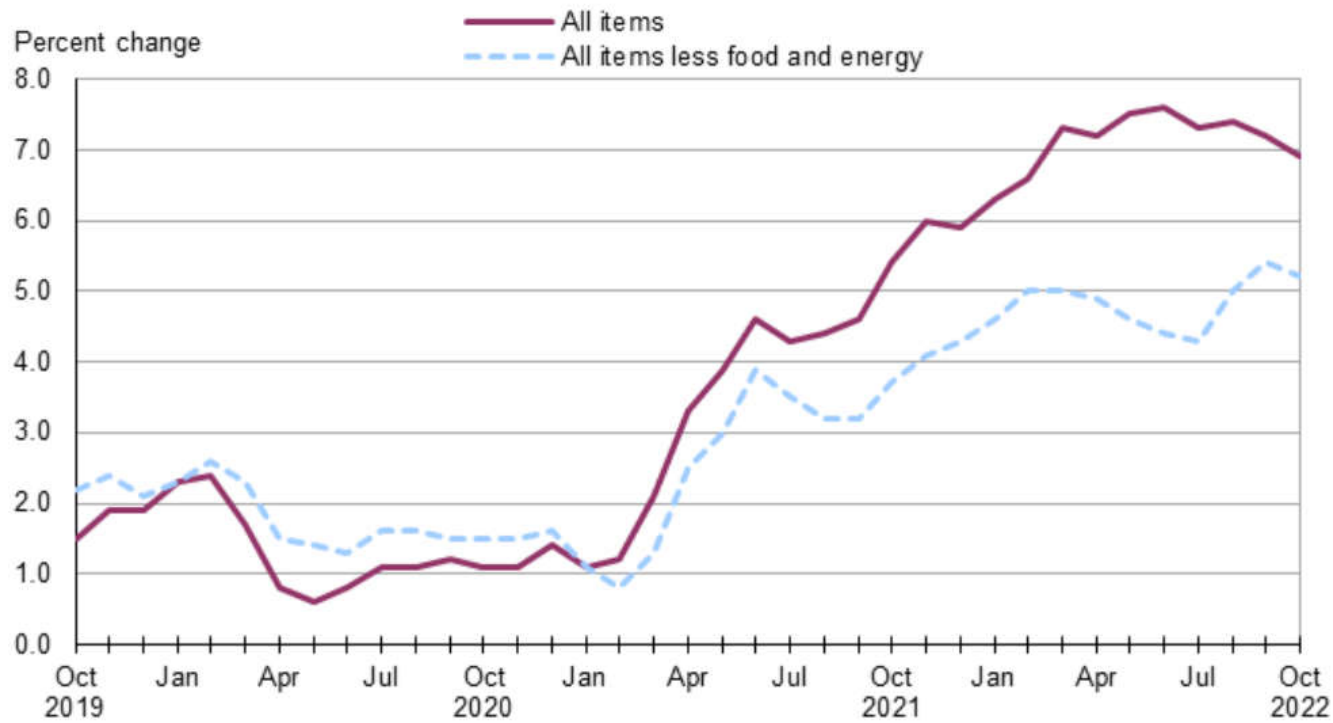


**vs FY23 Actual**



# Inflation has risen sharply over the past two years, currently at 6.9% (October 2022), putting pressure on school budgets

## Over-the-year percent change in CPI-Northeast region

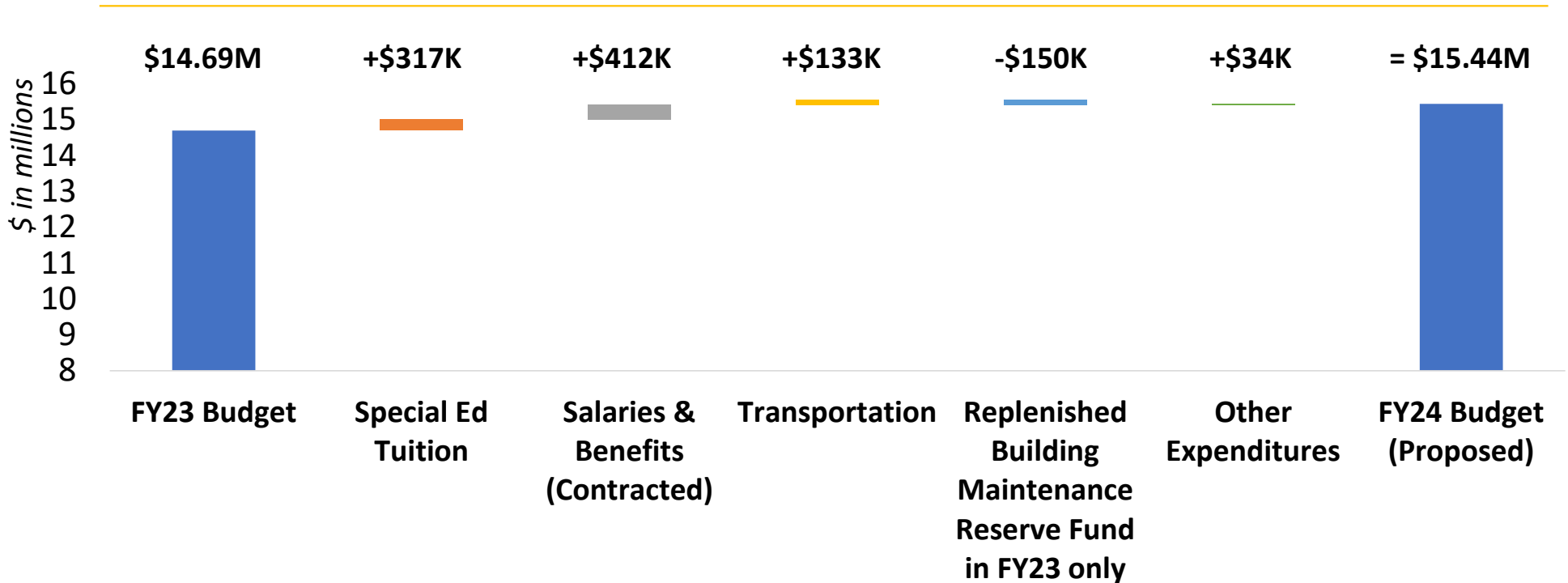


Source: U.S. Bureau of Labor Statistics.



# Hanover FY24 Budget is proposed to increase 5.1% or \$746K, driven by special ed tuition, salaries & benefits and transportation

## Analysis of \$746K expenditure increase

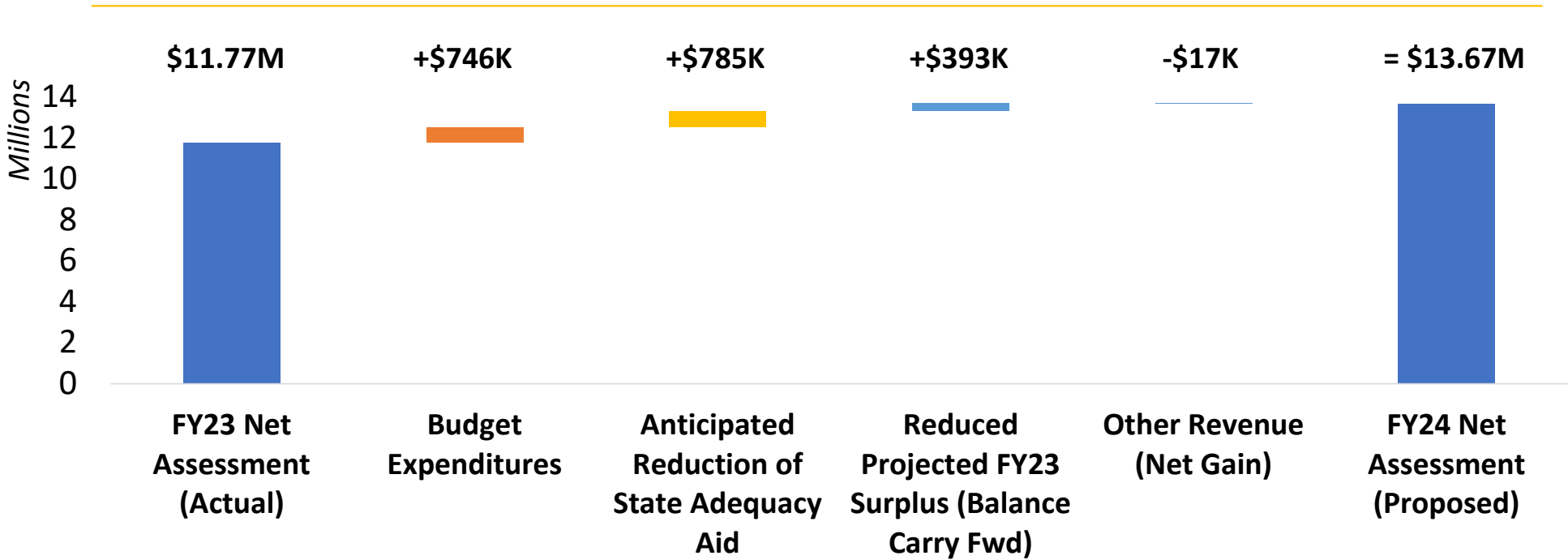


Note: Budget growth includes “passthrough” Bridgman fund expense of \$40K, which has equally offsetting revenue. Budget does not include additional warrant articles that may be presented, including expenditures associated with on-going Service Staff negotiations.

# Net Assessment

# FY24 Net Assessment is proposed to increase 16.2% or \$1.9M, despite budget up by only 5.1% due to significant revenue changes

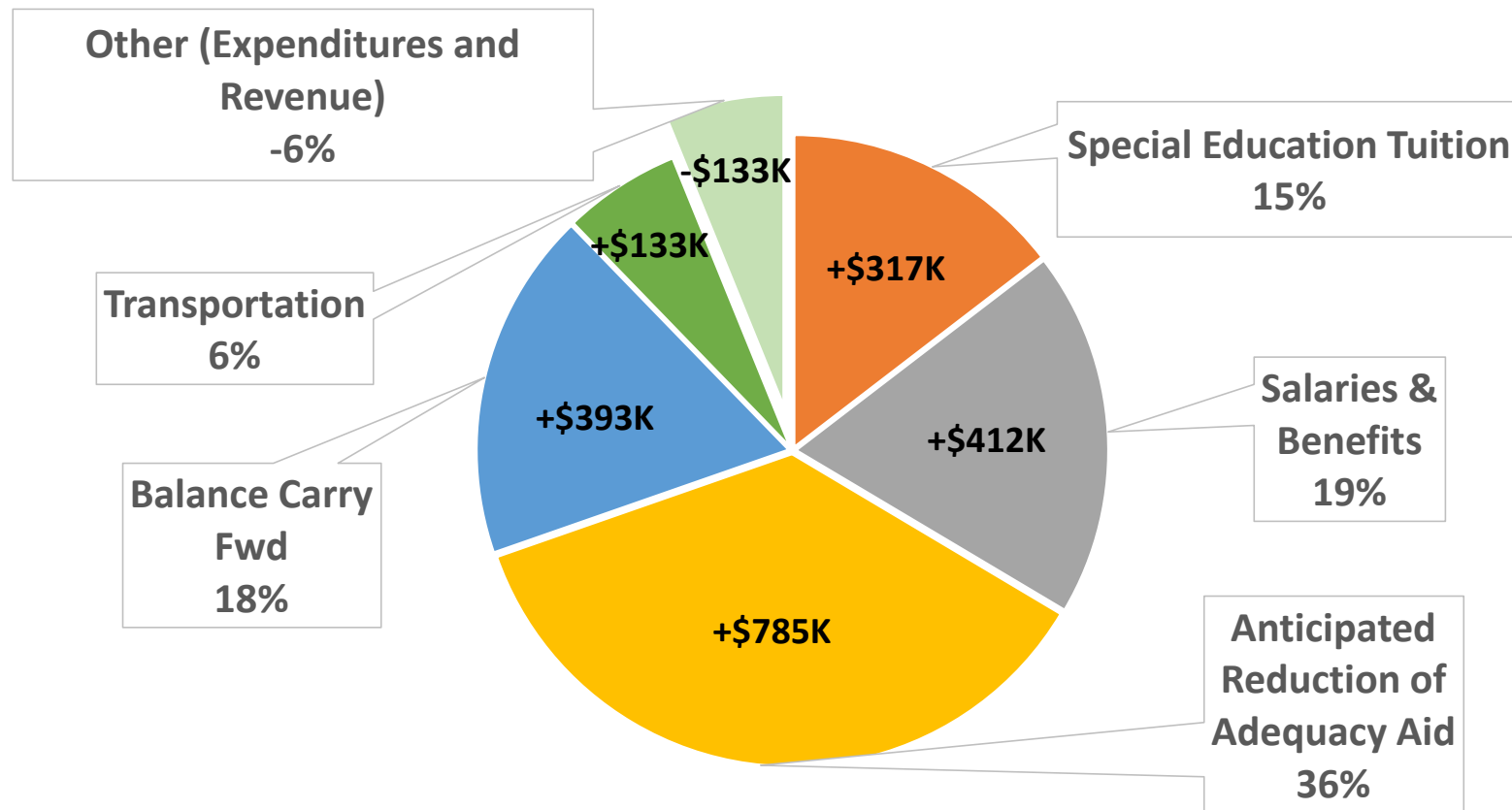
## Analysis of \$1.9M net assessment increase



Net Assessment equals budget expenditures less revenue. The Net Assessment helps determine amount to be raised by local taxation.

# Nearly all the increase is due to uncontrollable events or contracted district agreements

## Allocation of \$1.9M increase in Hanover FY24 Net Assessment



# Hanover budget is driven by inflation (salaries, health insurance, transportation) and out of district Special Education tuition. . .

Net Assessment

+16.2% or \$1,906,739 increase vs FY23 Net Assessment (incl Bridgman)

Expenditures

Total Expenditures

+5.1% or \$745,516 increase vs FY23 Budget (Total, incl Bridgman)

## Key Drivers

### *Ray School Ops*

- Salaries: +\$146k total, contracted union and +2.5% COLA on base (non-union), excl retirees
- Staffing: (0.10) FTE decrease, moved 1.0 Reg Ed teacher to Instruct. Coach, +1.0 FTE COTA
- Benefits: +\$242k net, includes health rate/election hikes (+\$282k), offset by smaller decreases in NH Retirement System contribution rate (-\$69k)
- +\$43k to replace outdoor fencing and other security/maintenance projects
- +\$25k restoration of custodial services (in-house)

### *Non-Ops / PreK-12 District*

- +\$316k net in out of district Special Education tuition
- Transportation: increased fuel costs +\$60k, added back route w/ new bus contract (+15%)

**Not included: Service staff union contract negotiations, substitute pay, Grade 5 field trip**

## . . . and less revenue due to the NH State Adequacy Aid reduction

Net Assessment

+16.2% or \$1,906,739 increase vs FY23 Net Assessment (incl Bridgman)

Revenue

Total Revenue -39.7% or (\$1,161,223) decrease vs FY23 Budget

### Key Drivers

#### State Sources

- -\$785k reduction in Adequacy Aid, which is **better** than expected and represents about +2.7% total Hanover and Dresden assessment increase



#### Local Sources

- -\$393k reduction in balance carry forward (estimate of FY23 surplus)
- +\$10k investment income, rising interest rates

**Not included: Opportunity to use up to \$381k from Grade 6 reserve fund (Hanover Budget Committee recommendation)**

# The Ray School plans a 0.10 FTE decrease for FY24 staffing

## Ray School Full-time equivalent (FTE) change from FY23 Budget

	Increase	Decrease	Total FY24 Proposed Budget
 Certified Staff		- 0.40	57.66
		Reg Ed Teachers	FTEs - 0.40
 Other Staff	+ 1.00		
	Occ. Therapy Assts		47.99
	+ 0.42	- 1.40	FTEs
	Regular Ed. Aides	Special Ed. Asst (PreK)	+ 0.30
	+ 0.28		
	Special Ed. Aides		
Total Staff			105.65 FTEs - 0.10

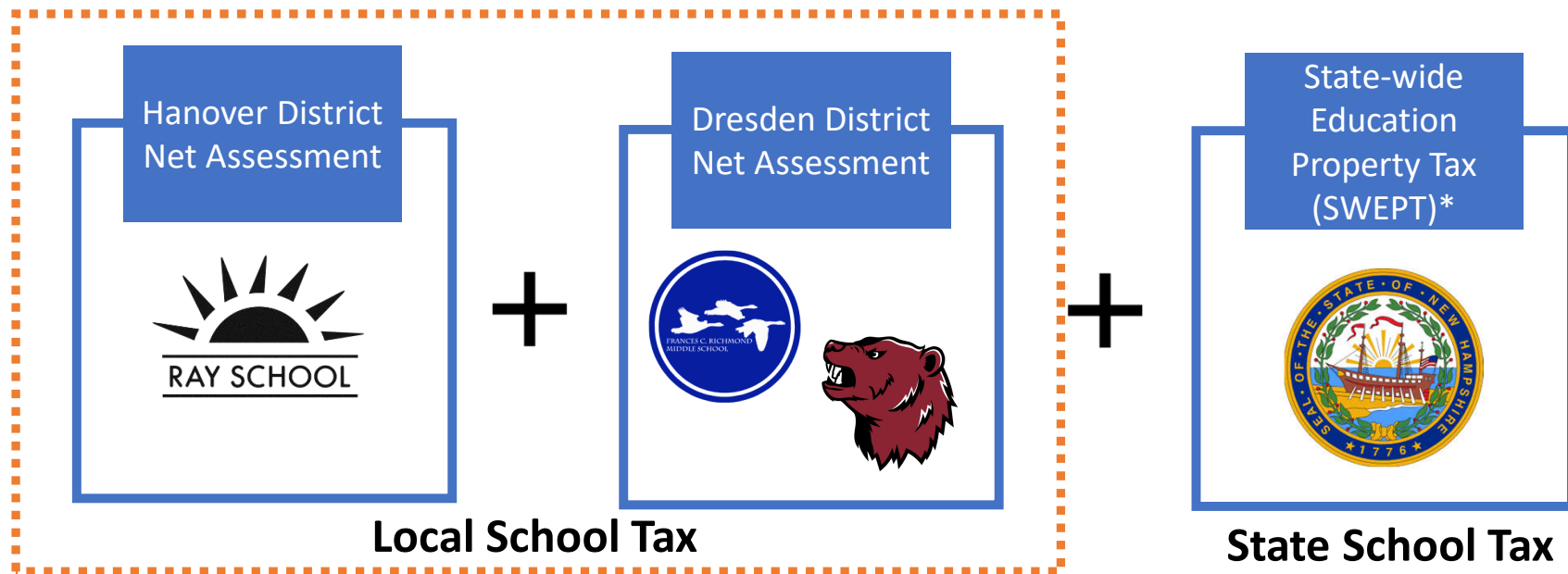
Note: The 1.0 FTE Reg Ed Teacher (“27<sup>th</sup> teacher”) plans to be re-directed to a 1.0 FTE Instructional Coach (stays in Reg Ed teachers). 15

# Tax Rates



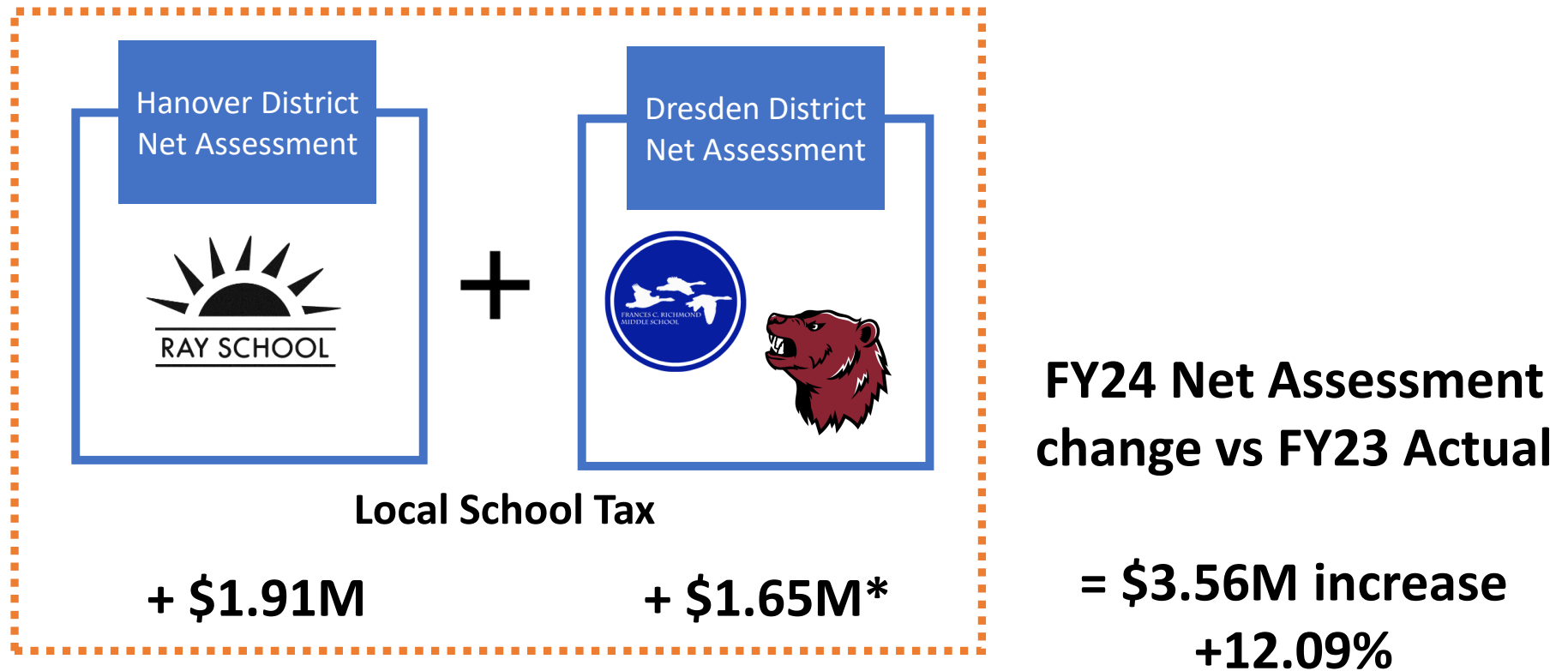
# Hanover education tax is combination of local and state school taxes

## Components of Hanover education tax



\*Hanover's share of NH State's obligation to pay for an adequate education. These funds are raised and retained locally. If the SWEPT amount raised is not enough to cover the State's obligation for Hanover schools, then Hanover District will receive an additional payment called "Adequacy Aid", found as a source of Hanover District revenue. The SWEPT rate is determined by the State.

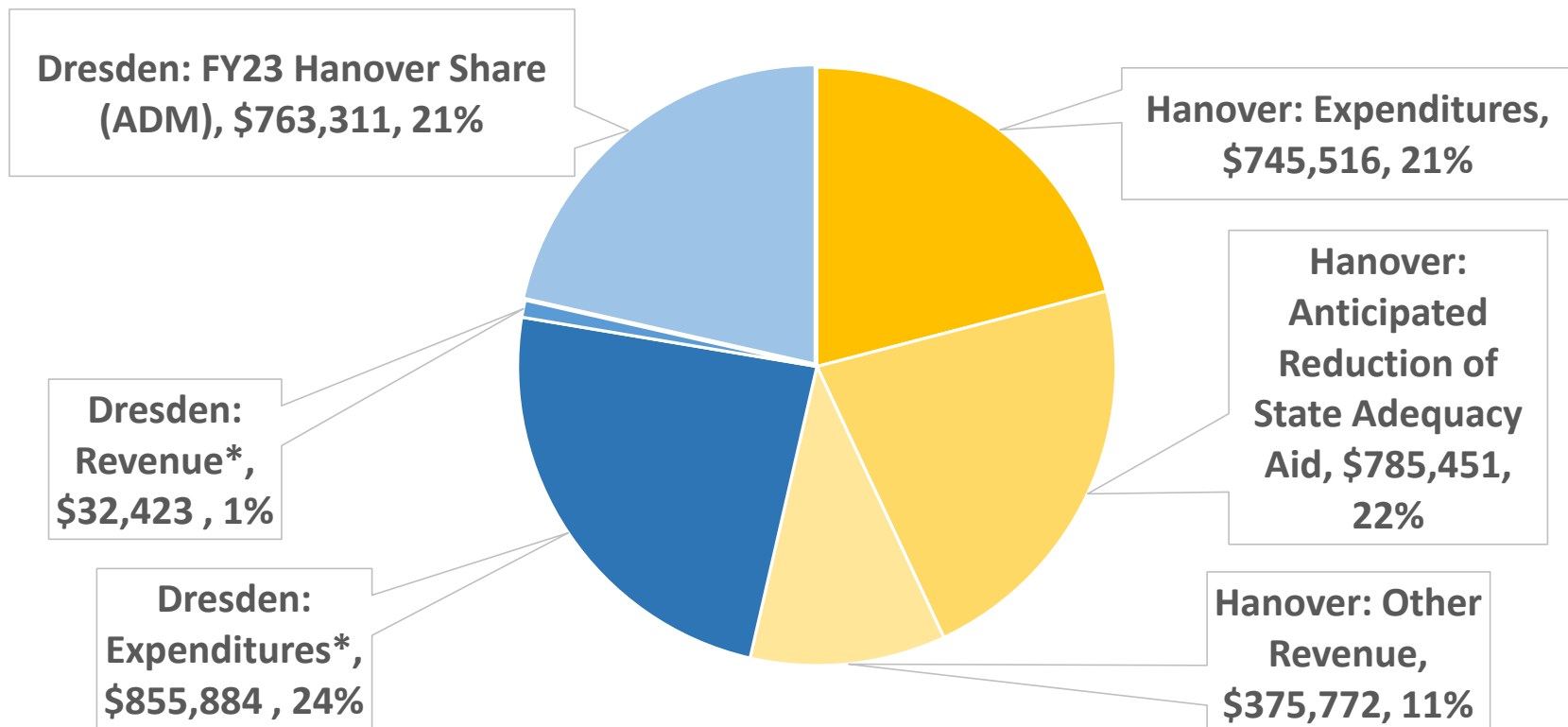
# Local school assessments are proposed to increase \$3.56M or 12.09%



\*Dresden District budget details will be discussed on Tuesday December 20.

# Less than half (45%) of the local school assessment increase is due to change in Hanover and Dresden expenditures

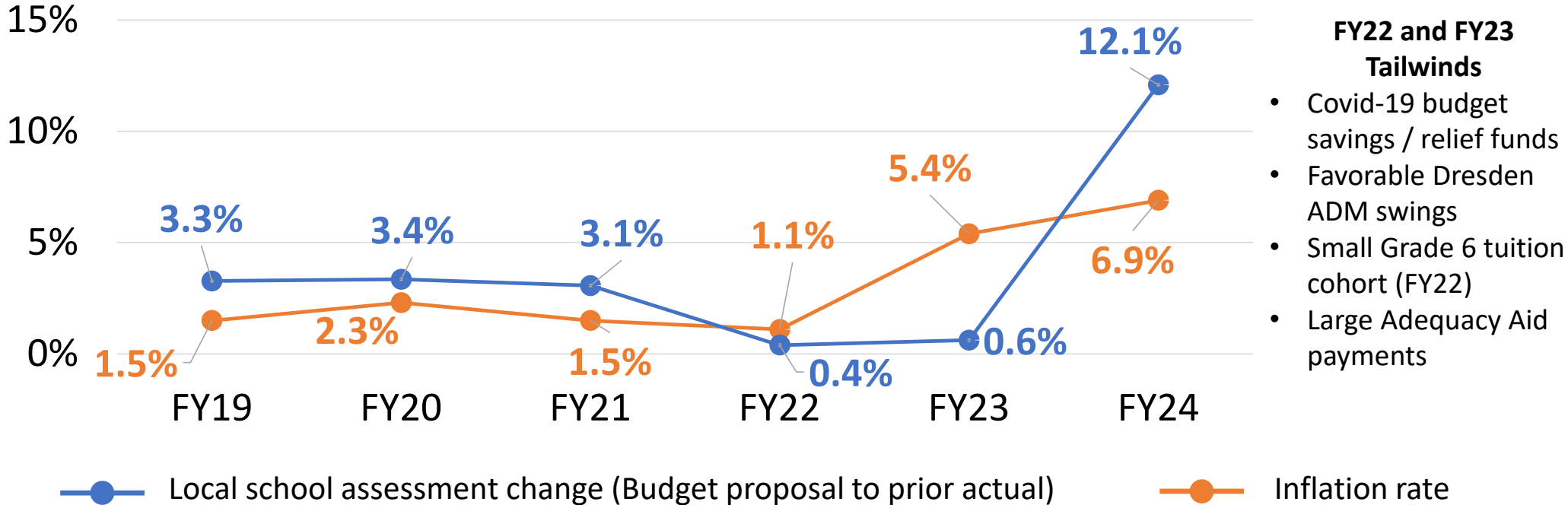
## \$3.56M local school assessment increase explained



\* Using FY22 Dresden ADM to compute change in net assessment due to the change in district revenue/expenditure alone, separate from new Dresden ADM

# Cumulative inflation the last three years has been nearly 24% compared to only 13% for local school assessment

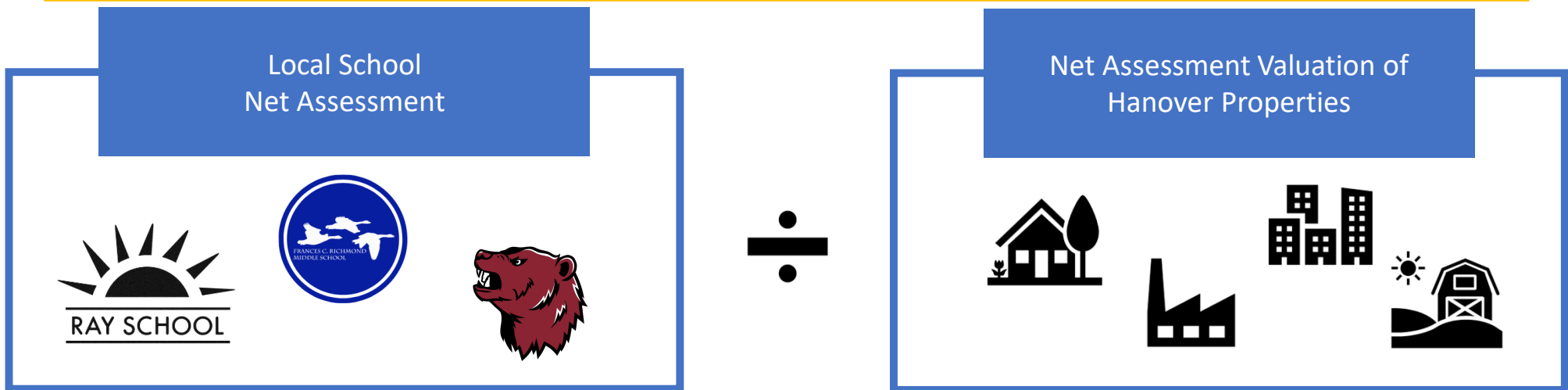
## Local school assessment growth vs Inflation



Note: Inflation is 12-month average CPI-Northeast as of October of budget building year.

# Local school tax rate is 10.71% higher than FY22

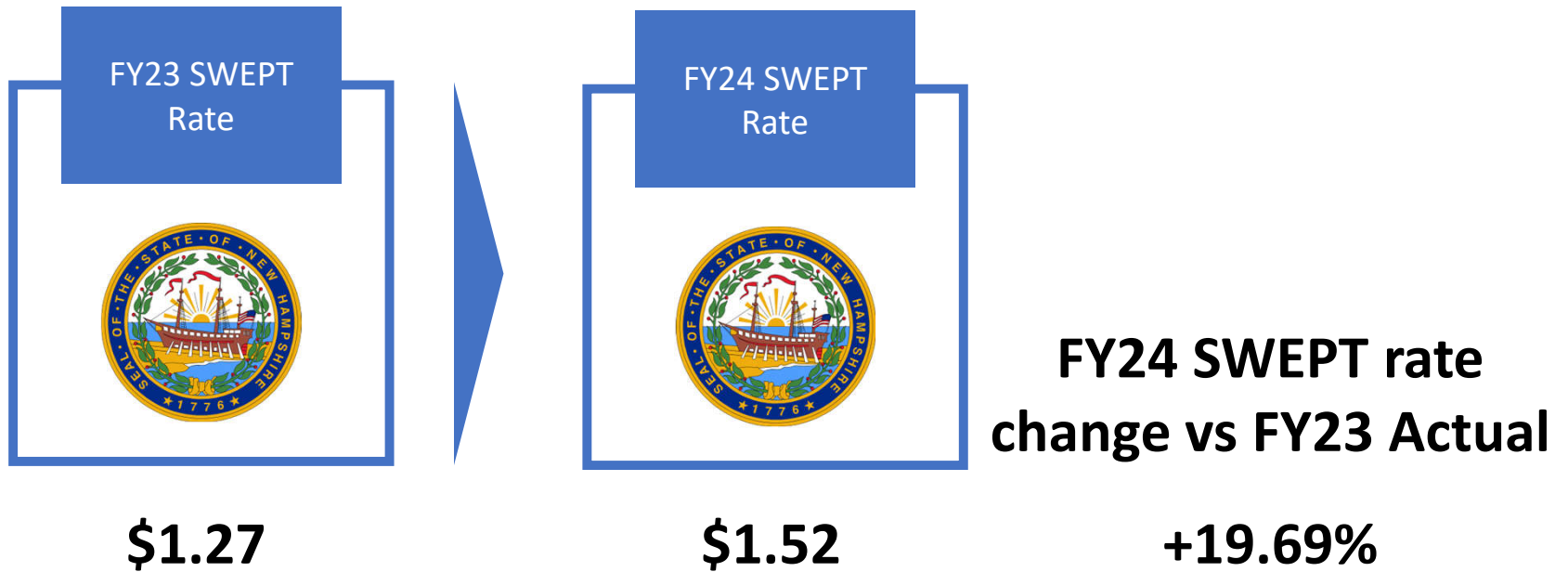
## Local school tax rate calculation



**FY24 Local school tax rate: \$10.65 per \$1,000 property value  
+\$1.04 increase or +10.71%**

Note: FY24 is a projection using an increase of +\$8 million for Hanover NAV (long-run estimate).

# State of New Hampshire raised FY24 State education tax rate by 19.69%



State of New Hampshire cut SWEPT rate to \$1.27 per \$1,000 property value for one-time tax relief

## Hanover education tax rate *projected* at \$12.17 or +11.75%, before Board action on reserve funds

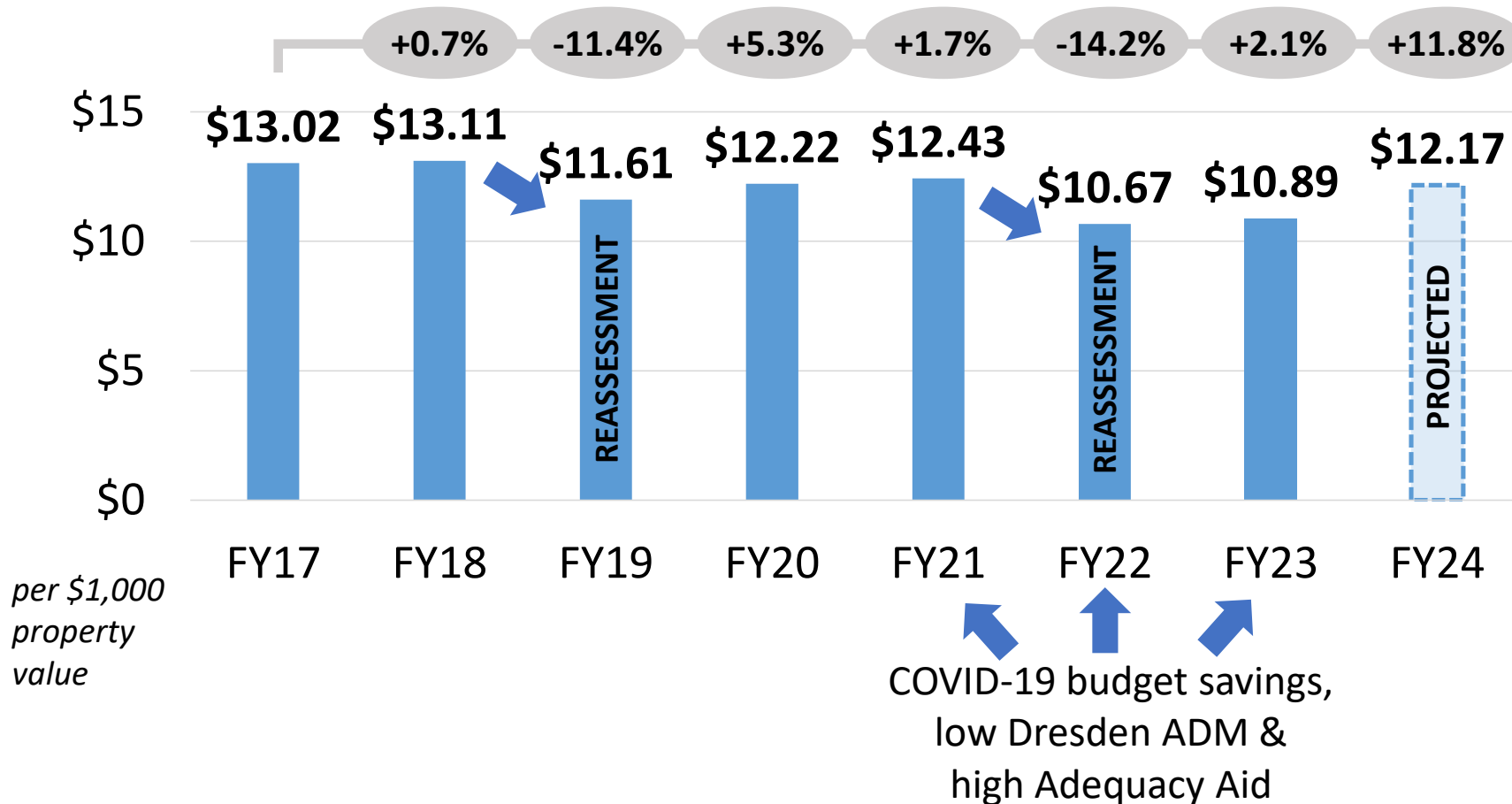
Hanover School District		Tax Impact Data		
Exhibit 3, V.2 - DISTRICT ASSESSMENTS:				
	2022-23	2023-24	\$ Chg	% Change
Hanover Assessment (22-23 Adjusted to Actual)	\$11,766,738	\$ 13,673,477	\$1,906,739	16.20%
Dresden Assessment (without additional articles)	\$17,675,791	\$19,327,409	\$1,651,618	9.34%
	\$29,442,529	\$33,000,886	\$3,558,357	12.09%
<b>Hanover Tax</b>				
<b>ESTIMATED TAX RATES: with adjusted NAV</b>				
Local School Tax Rate (Orig 22-23 Proj. \$9.75)	9.62	10.65	1.03	10.71%
<b>State School Tax Rate</b> (Orig 22-23 Proj. 1.28)	<b>1.27</b>	<b>1.52</b>	<b>0.25</b>	<b>19.69%</b>
Total School Tax Rate (Orig 22-23 Proj. \$11.03)	10.89	\$12.17	1.28	11.75%



Illustrative tax rate impact  
A \$500k assessed house in  
Hanover would pay an  
additional \$640 next year

# Hanover had modest tax rate growth

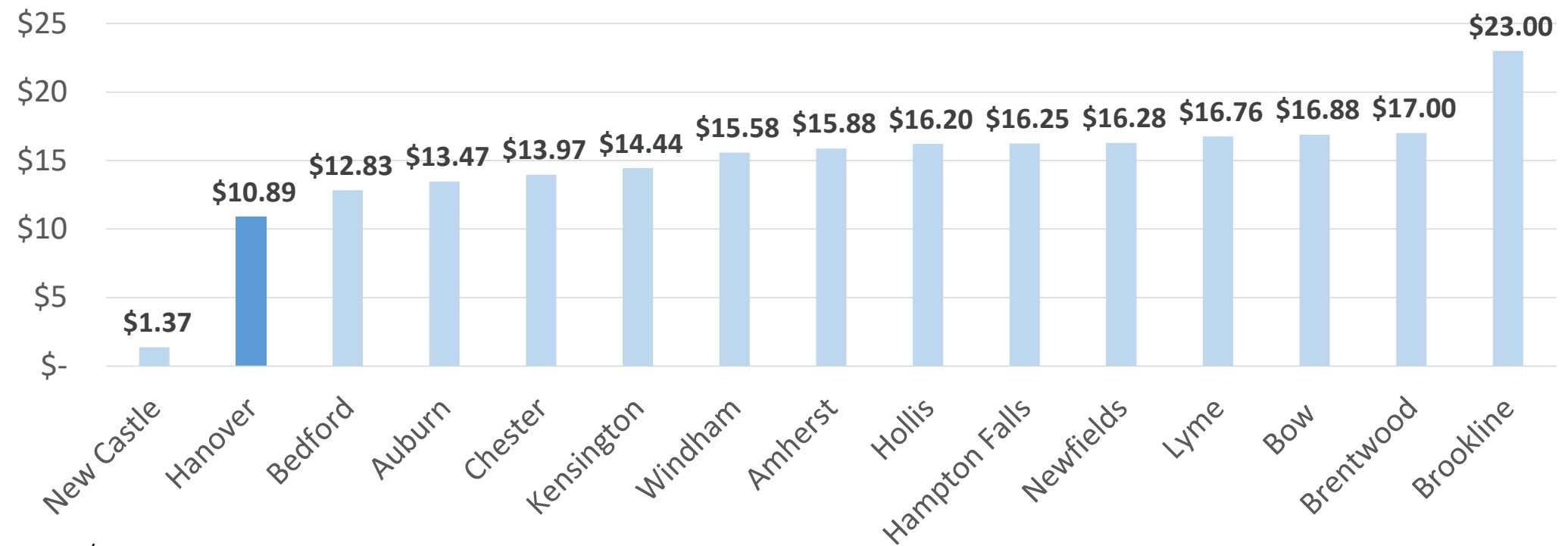
## Hanover education property tax rates





# Hanover has lower tax rates compared to other districts

## FY23 Education Property Tax Rates – NH towns with comparable median household income\*

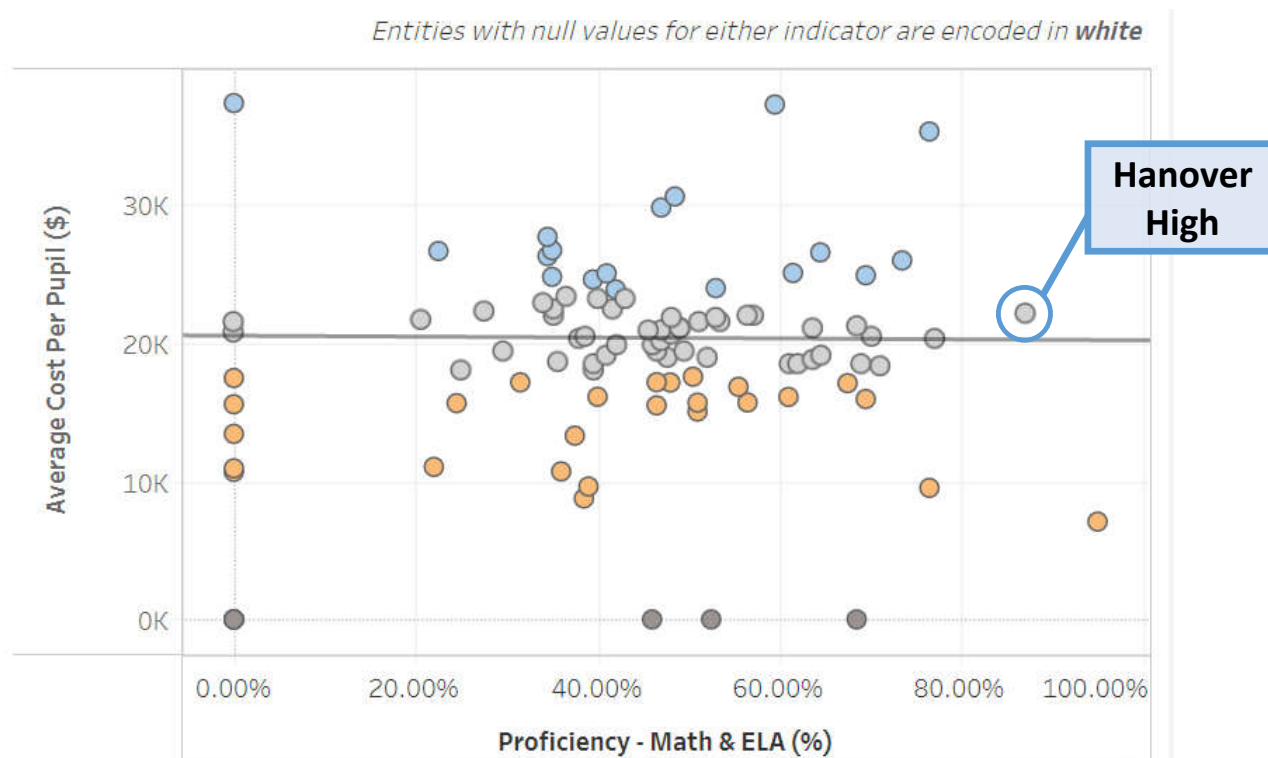


per \$1,000  
property  
value

Note: Income used as estimate for property valuation.

# Hanover High delivers extraordinary academic results at an ordinary cost per pupil. . .

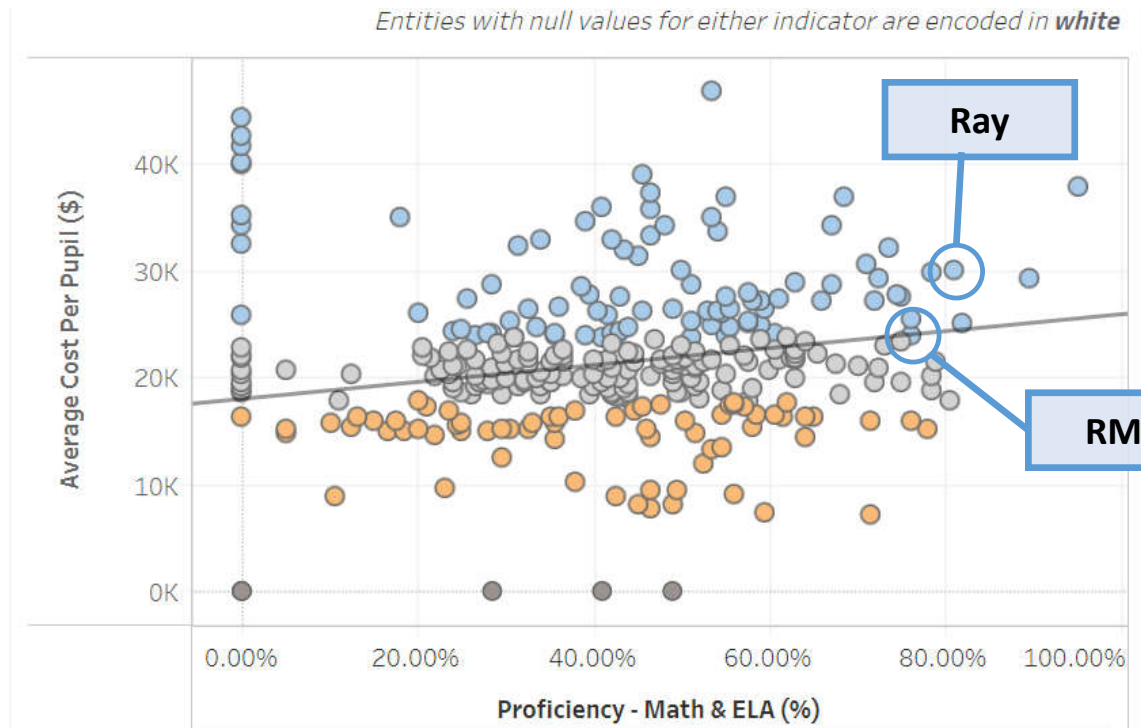
## FY 21 Cost per Pupil vs Math/English Proficiency % Hanover High School vs NH High Schools



Source: NH Department of Education. Includes public charter schools.

. . . with the Ray School and RMS producing similar, extraordinary results

### FY 21 Cost per Pupil vs Math/English Proficiency % Ray School & RMS vs NH Elementary Schools



Source: NH Department of Education. Includes public charter schools

# Budget Options

## Board options to possibly reduce projected tax rate

### Dissolve Grade 6 Reserve Fund



- One-time release of \$381K\* revenue
- Moves tax rate down \$1.14 or +10.5% total increase (vs. +11.75%)

### Limit FY23 spending



- Monitor balance carry forward estimate as FY23 progresses
- Amount unknown, may be favorable or unfavorable (unlikely)

### Reduce FY24 Budget Expenditures



- Review potential reductions to budget expenditures and take action

### Update Net Asset Valuation



- Ask new Finance Director for updated NAV projection for Hanover
- Using +\$8 million, long-run estimate
- Actual amount unknown

\* Anticipated end of year balance as of June 2023.

## Addressing unfilled positions approved in prior budgets may be a budget opportunity

### Certified Staff

27<sup>th</sup> Teacher / Instructional Coach  
Math Coordinator  
Early Literacy Coordinator

Savings up to \$143k per position if removed from budget (can be requested later if candidate found)

-OR-

Can lower health plan assumptions on one or all to account for extensive time on market, currently assuming 2-person plans

### Other Staff

Multiple Aid positions open, mostly inclusionary Special Ed Assistants

# Most of Hanover and Dresden relief funds have already been spent or earmarked related to pandemic response

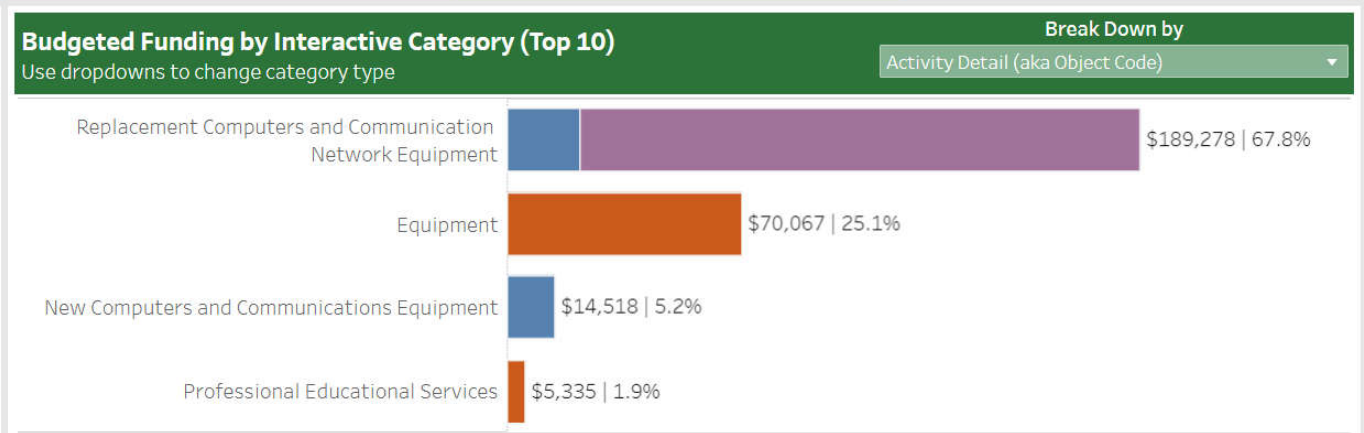
iGrant, new report on relief funds, available on NH DOE website – Hanover & Dresden

**Lebanon: \$3.7M**  
**Claremont: \$10.1M**

	ALL RELIEF FUNDS	CARES-ESSER Funds available through 09/30/2022	CRRSA-ESSER II Funds available through 09/30/2023	ARPA ESSER III Funds available through 09/30/2024
ALLOCATED	<b>\$281,199</b> Total allocated	<b>\$36,036</b> Total allocated	<b>\$75,480</b> Total allocated	<b>\$169,683</b> Total allocated
BUDGETED	<b>\$279,198</b> 99% of allocated funds	<b>\$36,036</b> 100% of allocated funds	<b>\$75,402</b> 100% of allocated funds	<b>\$167,760</b> 99% of allocated funds
APPROVED	<b>\$279,198</b> 100% of budgeted activities	<b>\$36,036</b> 100% of budgeted activities	<b>\$75,402</b> 100% of budgeted activities	<b>\$167,760</b> 100% of budgeted activities
REIMBURSED	<b>\$210,808</b> 76% of approved budget	<b>\$36,036</b> 100% of approved budget	<b>\$72,302</b> 96% of approved budget	<b>\$102,470</b> 61% of approved budget

School Type: Districts + Charters  
Funding Category: Budgeted

\$0K | \$78,116K



Source: NH Department of Education

# Potential headwinds and tailwinds exist in looking ahead to the FY25 Hanover school budgets

## Tailwinds

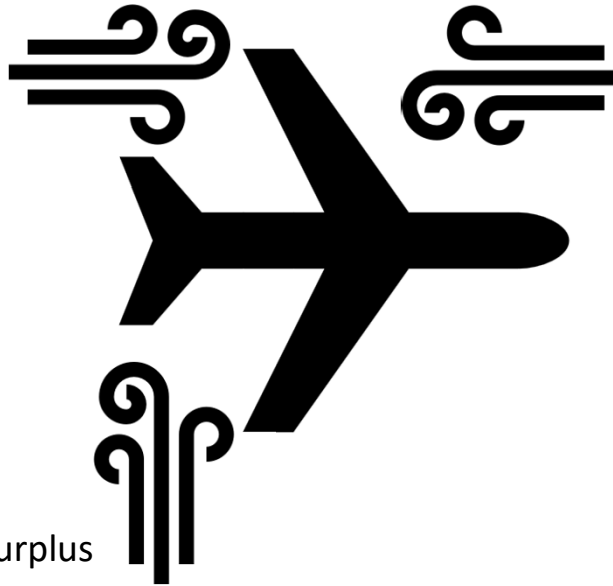
### Dresden debt retirement

Approximately \$2.3 million annual debt payment rolls off in FY25 for Dresden

## Crosswinds

### Increase Hanover retainage additional 2.5%

Ask voters to approve ability to retain surplus up to an additional 2.5% of the prior year assessment, which gives board flexible option to adjust for budgetary changes after the March vote



## Headwinds

### Grade 6 Reserve Fund

Need to dig out of \$386K one-time hole if Grade 6 reserve fund is dissolved and used to offset taxation in FY24

### Adequacy Aid

Further reduction possible in State Adequacy Aid payment, receiving \$522k in FY24 and have not received aid prior to FY21

### VT Pupil Weighting Law

FY25 new law takes effect, estimated up to 30% property tax increase for Norwich (no direct impact to Hanover) over 5 years



# Warrant Considerations

## Budget-related warrant article topics under consideration

In addition to the budget warrant article, Hanover School Board may consider taking action on the following (Budget Committee guidance noted in blue):

- 1 Approve warrant articles for each school district fund (under investigation)**
  - 1) Per audit (GASB Statement No. 34), School District adopts an annual budget for all funds on a gross basis (not only general fund with liabilities related to other funds included in general fund)
- 2 Dissolve Grade 6 Tuition Reserve Fund (strongly supports for FY24)**
  - 1) Hanover School District is no longer responsible for Grade 6 tuition and should be dissolved, requires voter approval
- 3 Ask for replenishment/creation of other reserve funds? (not recommended)**
  - 1) Funded perhaps by using proceeds from dissolution of Grade 6 Tuition Reserve Fund or undesignated fund balance?
  - 2) Fund existing reserve funds for Maintenance and/or Special Education more?
  - 3) Fund new reserve funds? Benefits (Health/OPEB/NHRS)? Specific contingency? Adequacy Aid? Other?
- 4 Ask for 2.5% additional on retainage amount? (in discussion)**
  - 1) This year Hanover could have held maximum retainage (5% net assessment) and still maintained tax rate projected at March, more funds available to be released for FY24