

## No. 2: ConVal School Budget (Warrant Article 01)

The first, and arguably the most important, Warrant Article on your ballot determines the amount of expenses (costs) that the School District can incur during the 2023-24 school year that begins July 1<sup>st</sup>.

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### **Warrant Article 01: Operating Budget - School District-SB2**

***Shall the Contoocook Valley School District raise and appropriate as an operating budget, not including appropriations by special warrant articles and other appropriations voted separately, the amounts set forth on the budget posted with the warrant or as amended by vote of the first session, for the purposes set forth therein, totaling \$56,106,282? Should this article be defeated, the default budget shall be \$54,744,674 which is the same as last year, with certain adjustments required by previous action of the Contoocook Valley School District or by law; or the governing body may hold one special meeting, in accordance with RSA 40:13, X and XVI, to take up the issue of a revised operating budget only. (The ConVal School Board RECOMMENDS adoption of this article by a unanimous vote.)***

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If this Warrant Article is approved (with a simple majority across the ConVal School District), the Gross Budget will be \$56.106 million. Voters will have “raised and appropriated” this amount. If the proposed budget is not approved, then the \$54.745M “Default” will be used. This would require a significant reduction in planned programs, staffing, and/or facilities related activities.

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### **FY23-24 Budget Guidance**

One of the key roles of the School Board is to provide the Superintendent with “guidance” to be followed in the development of the proposed budget. The Board must balance multiple goals as it reviews, modifies, and presents the proposed budget to the voters for approval.

In a normal year, those goals include education, cost, equity, student welfare and safety, amongst others. The COVID-19 epidemic and remote learning seem to be past us but the impact of some of the other COVID related challenges are still impacting our costs, including student mental and emotional health, and learning “losses” associated with remote learning. The last several years we have talked about our multi-year “Journey to Resiliency”.



The most significant challenge facing us this year are the increased costs associated with the current period of higher rates of inflation. While some have recently been suggesting we may be past the peak of that, the proposed budget must absorb some unavoidable increases.

Last year, District voters approved a three-year collective bargaining agreement with the ConVal Education Association (CVEA). As such, both the Proposed and the Default FY23-24 budget must include the salary and benefit increases associated with the second year of that contract

In light of these challenges, the Board’s FY23-24 “guidance” was to maintain the “status quo” in terms of programs, curriculum, and facilities improvements. Pre-planned multi-year technology and curriculum upgrades were to be continued as planned.

The operational budget for FY23-24 proposed by the Superintendent and subsequently reviewed by the Board met the criteria set forth in our guidance. The initial proposed budget presented to the Board in early November was only 1.56% higher than our budget for this year (FY22-23). The administration had also made some recommendations for some additional changes that were “outside” of the guidance along with some ideas on how those costs could be offset. The Board and the administration discussed and reviewed the changes several times – and were subsequently able to accommodate the changes by utilizing some of our Trust Funds and some ESSER program funding.

The Board subsequently presented the proposed budget at a public hearing in January and then voted and approved the final budget.

**The proposed Operating Budget is only 1.35% higher than the current year – an increase of \$718,246.**

The Board is very much aware of the financial stresses the pandemic and the current inflationary environment has caused for many families in the District. As we finalized the budget and considered possible trade-offs, we knew that we must always keep our students’ needs as our top priority.

We ask that you keep this in mind as you review the proposed budget – and as you decide how to vote.

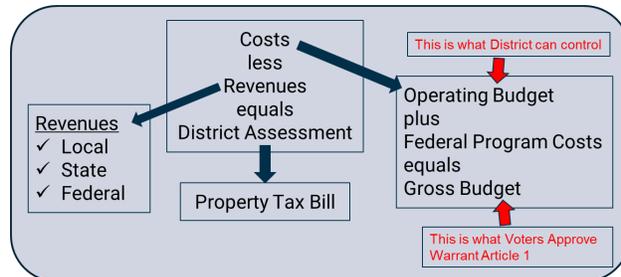
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## Budget Structure

Understanding the impact of your vote on the budget is important. That starts with a basic explanation of the structure of the school budget and how it effects local property taxes.

The **Gross Budget** includes the **Operational Budget** plus Federal program costs.



**District Assessment** is the difference between the **Gross Budget** and **Total Revenues**. It is the amount of local education property taxes to be collected by the 9 towns in the District.

**Default Calculation** – the “Default” is not actually a budget per se. It is a state prescribed calculation based on the “Approved” budget from the previous year. “One time” expenses in the current budget are deducted. Increases would include any contractual commitments and other mandated costs. Everything else stays flat.

We’ll discuss each of the following in more detail:

- Operational Budget
- Default Budget
- Revenues
- District Assessment

## Proposed FY23-24 District Budget

The table below shows the Operational Budget and the Gross Budget for each of the following: Approved FY22-23, Proposed FY23-24, and Default FY23-24.

Warrant Article 01 references the Proposed FY23-24 Gross Budget amounts highlighted in red below.

	FY22-23	FY23-24			FY23-24
	Approved	Proposed	V\$	V%	Default
<b>Operational Budget</b>	\$ 53,101,036	\$ 53,819,282	\$ 718,246	1.35%	\$ 52,457,764
<b>Title I &amp; II</b>	\$ 550,000	\$ 550,000	\$ -	0.00%	\$ 550,000
<b>Other Federal Programs</b>	\$ 250,000	\$ 250,000	\$ -	0.00%	\$ 250,000
<b>IDEA</b>	\$ 600,000	\$ 600,000	\$ -	0.00%	\$ 600,000
<b>Food Service</b>	\$ 812,000	\$ 812,000	\$ -	0.00%	\$ 812,000
<b>Special Revenue Funds</b>	\$ 75,000	\$ 75,000	\$ -	0.00%	\$ 75,000
<b>Trust Funds</b>	\$ 1,000,000	\$ -	\$ (1,000,000)	-100.00%	\$ 1,000,000
<b>Gross Budget</b>	<b>\$ 56,388,036</b>	<b>\$ 56,106,282</b>	<b>\$ (281,754)</b>	<b>-0.50%</b>	<b>\$ 55,744,764</b>
			<b>Warrant Article I</b>		

This discussion will focus on the proposed Operational Budget for several reasons:

- That determines levels of staffing, programs, facilities, transportation, supplies, etc.
- It is what school district can manage and control.
- Since Federal program costs are directly offset by federal revenue, these don't impact the District Assessment

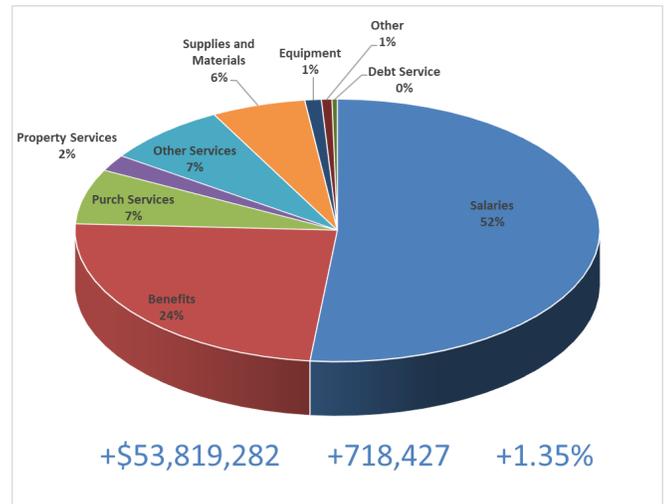
## Proposed FY23-24 Operational Budget

Proposed Operational Budget for FY22-23 is \$53,819,282.

- Salaries and Benefits account for more than 75% of the total costs.
- Salary and Benefits increases associated with the second year of the three-year Collective Bargaining Agreement are included.

The proposed Operational Budget for FY23-24 is ~\$718 thousand higher than our current Operational Budget. This represents a 1.35% increase – a very well scrubbed amount given the current inflationary environment.

A more detailed breakdown and discussion of these is provided on the next few pages.



Operational Budget		FY22-23	FY23-24			FY23-24
		Approved	Proposed	V\$	V%	Default
100	Salaries	\$ 27,570,045	\$ 27,806,029	\$ 235,984	0.86%	\$ 27,068,721
200	Benefits	\$ 12,500,332	\$ 12,972,895	\$ 472,563	3.78%	\$ 12,973,654
300	Professional Services	\$ 3,382,284	\$ 3,655,812	\$ 273,528	8.09%	\$ 3,467,337
400	Property Services	\$ 1,213,266	\$ 1,091,416	\$ (121,850)	-10.04%	\$ 681,966
500	Other Services	\$ 4,269,670	\$ 4,097,243	\$ (172,427)	-4.04%	\$ 4,155,348
600	Supplies & Materials	\$ 2,693,373	\$ 3,122,174	\$ 428,801	15.92%	\$ 3,126,362
700	Property Services	\$ 579,179	\$ 546,807	\$ (32,373)	-5.59%	\$ 475,262
800	Other Services	\$ 352,887	\$ 346,907	\$ (5,981)	-1.69%	\$ 329,024
900	Debt Service	\$ 540,000	\$ 180,000	\$ (360,000)	-66.67%	\$ 180,000
<b>Total Operational Budget</b>		<b>\$ 53,101,036</b>	<b>\$ 53,819,282</b>	<b>\$ 718,246</b>	<b>1.35%</b>	<b>\$ 52,457,674</b>

**Salaries**      +\$235,894 +0.86%

The proposed budget includes the wage and salary increases associated with the second year of the three year Collective Bargaining Agreement with CVEA that was approved by District voters in March 2022. The current FY22-23 school year is the first year of the contract.

CVEA is the exclusive representative of district employees in the Collective Bargaining Unit which includes district teachers, specialized service professionals and paraprofessionals. CVEA does not represent District supervisory or administrative staff.

The contract included increases for salaries and wages for all teachers, specialized service professionals and paraprofessionals that are higher than the proposed increase (0.86%) in total salaries. The budget also includes higher percentage increases for members of the CVAA (ConVal Administrator’s Association) as well as increase for staff that are not members of either of these organizations.

The proposed budget also includes a fairly extensive list of changes to staff positions that were reviewed and approved by the Board. Some of these new positions and program related changes include: expansion of the BEST program, Reading Specialist, Reading & Math and other Interventionists, an Equity Data Specialist, and a restructuring of our Elementary School Administrator staff.

So how was the overall increase in salaries limited to less than 1% with all of these other increases in salary and related costs? Normal staff losses due to retirements, resignations and other reasons will not be replaced. Also, when a teacher retires, they are generally replaced by a less experienced person – at a correspondingly lower salary.

The remaining staff will be utilized to accomplish the Districts goal and objectives.

**Benefits**      +\$472,562 + 3.78%

The same logic applies to benefits. FICA and NH Stare retirement system costs are carried as a percentage of salaries/wages.

For health insurance costs, we assumed that the current subscription levels would be maintained.

Each year our health care insurance provider sets a “guaranteed max plan rate increase” for use in preparing the budget. The FY23-24 max rate is 4.0% higher than current rates . The actual increase is usually lower that the maximum used when the budget is proposed, so we decided to only budget a 2% increase. If actual rates end up being higher than we budgeted, then we will utilize or District Health Maintenance Trust Fund to cover the difference. That’s one of the reasons these Trust funds were established – to allow some hedging and to reduce year to year variances in the budget.

**Services**           +\$273,528   +\$8.09%

This increase is based on across the board increases in these staff related costs as well as on known requirements for Pupil Services (special education services mandated by law) and on increases for contracted custodial services.

Let’s step back and take a look at the aggregate increase for these three staff related costs:

<b>Staffing Costs</b>		<b>FY22-23</b>	<b>FY23-24</b>			<b>FY23-24</b>
		<b>Approved</b>	<b>Proposed</b>	<b>V\$</b>	<b>V%</b>	<b>Default</b>
<b>100</b>	<b>Salaries</b>	\$ 27,570,045	\$ 27,806,029	\$ 235,984	0.86%	\$ 27,068,721
<b>200</b>	<b>Benefits</b>	\$ 12,500,332	\$ 12,972,895	\$ 472,563	3.78%	\$ 12,973,654
<b>300</b>	<b>Professional Services</b>	\$ 3,382,284	\$ 3,655,812	\$ 273,528	8.09%	\$ 3,467,337
<b>Total Operational Budget</b>		<b>\$ 43,452,661</b>	<b>\$ 44,434,736</b>	<b>\$ 982,075</b>	<b>2.26%</b>	<b>\$ 43,509,712</b>

If the total operational budget went up by \$718 thousand and these staffing related costs went up by \$982 thousand, the aggregate of all other non-staff related costs has to go down. Let’s look at those next.

**Property Services**   -\$121,851   -10.04%

This reduction can be attributed primarily to the absence of high school and middle schools doorway replacements (\$119,362) that are in the current year budget.

**Other Purchased Services**   -\$172,427   -4.04%

The 3<sup>rd</sup> year of our contract includes a 3% increase for the buses used for pupil transportation. Note that fuel is provided by the district.

Other highlights include decreases in tuition, increases in property insurance and savings in phone and internet services.

**Supplies and Materials**   +\$428,801   +15.92%

Increases include: electricity +\$267,997, software +\$26,885 , Propane for buses +\$20,000, and Heating Fuel +\$144,992

**Furniture and Equipment**   -\$32,372   -5.59%

Replacement technology (Chromebooks and staff laptops) is the largest component of this group of costs. Those costs increase by \$44,110 to almost \$512,000. Reductions in all other lines items range

from 53% to almost 95%, resulting in an overall decrease of 5.6%. The new Technology Trust Fund that was approved last March will be utilized going forward to levelized these costs going forward.

**Dues & Fees and Debt Service** -\$365,980 - 68.365

This budget line includes an increase for food service losses which is more than offset by a reduction in bond interest.

June 2023 marks the end of the HS Gym Bond ends in June 2023 and the final principal payment for the HS Science Lab upgrades will be made in FY 23-24

Line by line details of these budgets are available from the School Board website:

<https://schoolboard.convalsd.net/budget/>

The Annual Report for the Contoocook Valley School District will also include the full line-by-line budgets.

**Default Budget**

The “Default” is not actually a budget per se. It is a state prescribed calculation based on the current 21-22 “Approved” budget.

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RSA 40:13, IX(b) “Default Budget” as used in this subdivision means the amount of the same appropriations as contained in the operating budget authorized for the previous year

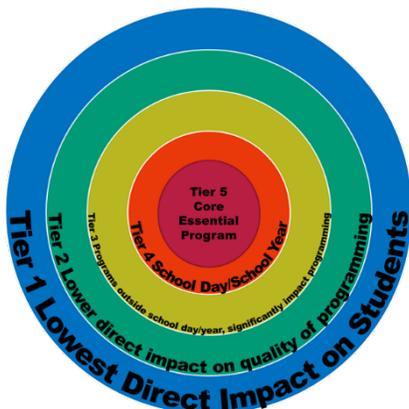
- Reduced and increased, as the case may be, by debt service, contracts, and other obligations previously incurred or mandated by law
- And reduced by one-time expenditures contained in the operating budget and by salaries and benefits of positions that have been eliminated in the proposed budget

For the purposes of this paragraph, one-time expenditures shall be appropriations not likely to recur in the succeeding budget, and eliminated positions shall not include vacant positions under recruitment or positions redefined in the proposed operating budget, as determined by the governing body, unless the provisions of RSA 40:14-b are adopted, of the local political subdivision.

In calculating the default budget amount, the governing body shall follow the statutory formula which may result in a higher or lower amount than the proposed operating budget.

If Warrant Article 01 is not approved by voters, the District operating budget for FY23-24 will be based on the Default calculation described above. Regardless of whether you compare that budget to either the current or proposed budget, significant reductions in programs, staffing, and/or facilities related activities will need to be made.

Impact of Default Budget			
Budget	FY23 Approved	FY24 Default	Reduction
Operational	\$ 53,101,036	\$ 52,457,764	\$ (643,272)
Gross	\$ 56,388,036	\$ 55,744,764	\$ (643,272)
Budget	FY24 Proposed	FY24 Default	Reduction
Operational	\$ 53,819,282	\$ 52,457,764	\$ (1,361,518)
Gross	\$ 56,106,282	\$ 55,744,764	\$ (361,518)



From the voter, taxpayer, and school administration perspective, the difference between the Operating Budgets is what matters – that is what determines which programs the District can offer.

The decisions on specific reductions will be made by the Board based on a hierarchy of priorities provided by the Superintendent.

**Approval of the Proposed Budget would eliminate the need for these reductions.**

## Revenues

Revenues come from local, state, and federal sources as shown in the table below.

	Estimated FY23 (MS-24R)	Proposed FY24	V\$	V%
<b>Local Revenue</b>				
Tuition	\$ 131,000	\$ 115,000	\$ (16,000)	-12.21%
Earned Interest	\$ 10,000	\$ 10,000	\$ -	0.00%
Special Revenue Fund	\$ 75,000	\$ 75,000	\$ -	0.00%
Child Nutrition - Sales	\$ 200,000	\$ 200,000	\$ -	0.00%
<b>Total Local Sources</b>	<b>\$ 416,000</b>	<b>\$ 400,000</b>	<b>\$ (16,000)</b>	<b>-3.85%</b>
<b>State Revenue</b>				
Special Education Aid	\$ 84,057	\$ 75,000	\$ (9,057)	-10.77%
Vocational Aid	\$ 25,000	\$ 25,000	\$ -	0.00%
Voc Ed Tuition	\$ -	\$ 16,000	\$ 16,000	
Child Nutrition	\$ 12,000	\$ 12,000	\$ -	0.00%
Other State Sources	\$ 289,943	\$ -	\$ (289,943)	-100.00%
<b>Total State Sources</b>	<b>\$ 411,000</b>	<b>\$ 128,000</b>	<b>\$ (283,000)</b>	<b>-68.86%</b>
<b>Federal Revenue</b>				
All Special Education	\$ 600,000	\$ 600,000	\$ -	0.00%
Title I&II	\$ 550,000	\$ 550,000	\$ -	0.00%
Child Nutrition	\$ 600,000	\$ 600,000	\$ -	0.00%
Other Federal Sources	\$ 250,000	\$ 250,000	\$ -	0.00%
Medicaid	\$ 170,000	\$ 170,000	\$ -	0.00%
<b>Total Federal Sources</b>	<b>\$ 2,170,000</b>	<b>\$ 2,170,000</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Total Revenue Sources</b>	<b>\$ 2,997,000</b>	<b>\$ 2,698,000</b>	<b>\$ (299,000)</b>	<b>-9.98%</b>
<b>Prior Year Fund Balance</b>				
Unreserved Fund Balance to Reduce Taxes	\$ 250,000	\$ 250,000	\$ -	0.00%
Transfer to Trust Fund	\$ 900,000	\$ -	\$ (900,000)	-100.00%
<b>Total Prior Year Unassigned Fund Balance</b>	<b>\$ 1,150,000</b>	<b>\$ 250,000</b>	<b>\$ (900,000)</b>	<b>-78.26%</b>
<b>State Funding</b>				
Adequacy Grant	\$ 9,355,681	\$ 7,601,234	\$ (1,754,447)	-18.75%
State Education Taxes	\$ 3,053,932	\$ 4,178,500	\$ 1,124,568	36.82%
EFA Phase Out	\$ -	\$ 8,832	\$ 8,832	
<b>Total State Funding</b>	<b>\$ 12,409,613</b>	<b>\$ 11,788,566</b>	<b>\$ (621,047)</b>	<b>-5.00%</b>
<b>Total Revenue &amp; Funding</b>	<b>\$ 16,556,613</b>	<b>\$ 14,736,566</b>	<b>\$ (1,820,047)</b>	<b>-10.99%</b>

State Revenues and State funding are shown separately because they are applied at different points in the District tax allocation process (which is not discussed here for brevity purposes).

Note that one source of “Local Funding” is the Prior Year Fund Balance. In essence, if there are any funds from the prior school year, then these can be considered as revenue in the following year. More on that in Article 4.

# District Assessment

District Assessment is the difference between the Gross Budget and Total Revenues. This sum is the total amount of local education property taxes that needs to be collected for the District.

District Assessment	FY22-23		FY23-24		FY23-24
	Estimated	Proposed	V\$	V%	Default
Total Gross Budget	\$ 56,388,036	\$ 56,106,282	\$ (281,754)	-0.50%	\$ 54,744,674
Less Estimated Revenues	\$ 2,997,000	\$ 2,698,000	\$ (299,000)	-9.98%	\$ 2,698,000
Less State Funding	\$ 12,409,613	\$ 11,788,566	\$ (621,047)	-5.00%	\$ 11,788,566
Less Transfer to Trust Funds	\$ 900,000	\$ -	\$ (900,000)	-100.00%	\$ -
Less Funds to Reduce Taxes	\$ 250,000	\$ 250,000	\$ -	0.00%	\$ 250,000
<b>District Assessment</b>	<b>\$ 39,831,423</b>	<b>\$ 41,369,716</b>	<b>\$ 1,538,293</b>	<b>3.86%</b>	<b>\$ 40,008,108</b>
					\$ (1,361,608)

The method of “apportioning” the District Assessment to the towns was discussed in a previous Financial Article.

## Summary

The ConVal School Board recognizes that the proposed budget and other warrant articles on the March ballot will increase the local education portion of your property taxes if they are approved. We all would prefer that they go down – we’re taxpayers too. But we must also address the needs or our students. That’s our primary responsibility.

We think that the proposed Budget (Warrant Article 1) is a very modest increase given the current inflationary environment.

We encourage you to vote “YES” and support the proposed budget.

The next two Articles will cover:

- Trust Fund Warrant Articles
- School Budget Impact on Property Taxes