

No. 4: 2022 Property Taxes - ConVal School District

This is the fourth in this year's series of Financial Articles. These are all intended to provide information about the school budget and how it was developed.

This final Article will review how the school budget is used to calculate the "local education" portion of property taxes in the nine towns in the District.

Specifically, we'll look at your final FY22 tax bill that you recently paid. That will help you understand why you cannot simply use the % increase in the proposed FY23-24 school district budget to estimate the impact on your next tax bills. It is not that easy, but it isn't rocket science either.



2022 Property Tax Bills

Let's start with some basic information regarding your 2022 property tax bills.

Basics

- Each of the nine towns in the ConVal school district issues two tax bills every year.
- These bills specify four separate tax rates: County, School, Town, and State Education.
- The "Total Tax Rate" is the sum of these four.
- Bill 1 of 2 was the first of the 2022 Town Property Tax Bills. Those were issued in May and were due in July.
- Bill 2 of 2 was the "final bill" that was issued in November/December and was due in December/January.

In the following discussion, we will refer to Bill 1 of 2 as the "preliminary" or "first" bill and Bill 2 of 2 as the "final" tax bill for any given year.

Tax Calculation

If you look at both bills for any given property from the same town tax year, you will note that the tax rates are not the same. But the calculation is the same.

- The amount of taxes due is calculated using the following formula:

$$\text{Amount Due} = \text{Net Value} \times \text{Total Tax Rate (less any credits or previously paid taxes)}$$

- The preliminary 2022 (Bill 1 of 2) tax calculation uses the current net value of the property **multiplied by ½ of last year's final tax rate** (2021)
- The final 2022 (Bill 2 of 2) calculates the total tax due for the year using the current net property **multiplied by the Final tax Rate** for 2022. Then it deducts the "first Bill" amount.

The total amount of local education taxes to be collected in any calendar year is based on then current fiscal year school budget - as adjusted by the amount of taxes "returned" from the prior fiscal year.

You're going to see that statement several times as we walk you through the calculation of your 2022 property tax bills.

Tax Rates

Table 1 shows the state approved tax rates for all nine towns in the School District for the past two years. “Local Education” is the ConVal School District tax rate.

Your tax bill uses these tax rates and the current assessed value of the property. The tax rates are expressed in \$ per thousand of assessed value.

2021 Tax Rates							
Town	State Education	Local Education	Total Education	Municipal	County	Total Rate	\$200k Home
Antrim	\$ 2.05	\$ 13.24	\$ 15.29	\$ 9.65	\$ 1.13	\$ 26.07	\$ 5,214
Bennington	\$ 1.84	\$ 16.27	\$ 18.11	\$ 11.11	\$ 1.12	\$ 30.34	\$ 6,068
Dublin	\$ 1.77	\$ 12.16	\$ 13.93	\$ 6.22	\$ 3.27	\$ 23.42	\$ 4,684
Francestown	\$ 1.83	\$ 13.88	\$ 15.71	\$ 7.80	\$ 1.01	\$ 24.52	\$ 4,904
Greenfield	\$ 1.90	\$ 14.97	\$ 16.87	\$ 8.88	\$ 1.05	\$ 26.80	\$ 5,360
Hancock	\$ 1.77	\$ 12.67	\$ 14.44	\$ 6.54	\$ 0.98	\$ 21.96	\$ 4,392
Peterborough	\$ 1.66	\$ 13.96	\$ 15.62	\$ 9.17	\$ 0.97	\$ 25.76	\$ 5,152
Sharon	\$ 1.71	\$ 14.11	\$ 15.82	\$ 5.56	\$ 0.97	\$ 22.35	\$ 4,470
Temple	\$ 1.81	\$ 14.96	\$ 16.77	\$ 5.63	\$ 1.01	\$ 23.41	\$ 4,682
2022 Tax Rates							
Town	State Education	Local Education	Total Education	Municipal	County	Total Rate	\$200k Home
Antrim	\$ 1.45	\$ 15.52	\$ 16.97	\$ 9.65	\$ 1.24	\$ 27.86	\$ 5,572
Bennington	\$ 1.43	\$ 18.62	\$ 20.05	\$ 10.40	\$ 1.20	\$ 31.65	\$ 6,330
Dublin	\$ 1.20	\$ 13.20	\$ 14.40	\$ 7.25	\$ 3.32	\$ 24.97	\$ 4,994
Francestown	\$ 1.26	\$ 15.70	\$ 16.96	\$ 7.79	\$ 1.09	\$ 25.84	\$ 5,168
Greenfield	\$ 1.26	\$ 17.19	\$ 18.45	\$ 10.88	\$ 1.09	\$ 30.42	\$ 6,084
Hancock	\$ 1.23	\$ 13.12	\$ 14.35	\$ 6.52	\$ 0.94	\$ 21.81	\$ 4,362
Peterborough	\$ 1.21	\$ 14.51	\$ 15.72	\$ 9.17	\$ 0.97	\$ 25.86	\$ 5,172
Sharon	\$ 1.22	\$ 15.49	\$ 16.71	\$ 5.54	\$ 0.96	\$ 23.21	\$ 4,642
Temple	\$ 1.27	\$ 16.72	\$ 17.99	\$ 5.83	\$ 1.14	\$ 24.96	\$ 4,992

Table 1 - ConVal School District Property Tax Rates

The table also includes a calculation of total property tax for a hypothetical \$200,000 home in each town.

The preliminary and final tax calculations for that home in Sharon are shown below:

Town FY	2021		2022		2023	
	Prelim May '21	Final Nov '21	Prelim May '22	Final Dec '22	Prelim May '23	Final Dec '22
Tax Rate	\$ 11.30	\$ 22.35	\$ 11.18	\$ 23.21	\$ 11.61	TBD
Tax Bill	\$ 2,260	\$ 2,210	\$ 2,235	\$ 2,407	\$ 2,321	TBD
Total Tax		\$ 4,470		\$ 4,642		TBD
	50% of prior year					

Table 2 - Typical Property Tax Calculations

The Local Education tax rates on property tax bills for each of the nine towns in the District are calculated in the same manner.

You may ask “How are these tax rates calculated?” or “Why aren’t the local education tax rates for each town in the district all the same” or “Why not use the same tax rates for both tax bills and just divide the bills equally?”

The answers involve both the methodology used to allocate the tax amongst the town - *and timing*.

Tax Allocation Process

The total amount of school taxes to be collected each year must be determined and then allocated to the towns. Then each town’s portion must be allocated to individual properties. The State, the towns, and the School District are all involved in this process. The last few pages in this article provide historical information on this allocation.

The first step is to look at total amount of funds for local education that need to be raised each year.

District Assessment

Any “budget” is a statement of estimated income (*Revenue*) and expenses (*Cost*).

For the federal government (and possibly for your household budget), deficit spending is normal. In our budgets, costs *cannot* exceed revenues. This suggests that a surplus of revenues over costs should be built into the budget.



Simply stated, the *District Assessment* is a calculation of the amount of taxes that need to be collected by the towns in the District in order to balance estimated costs and estimated revenues.

Let's look at the FY22-23 school budget in Table 3 as an example. This is the way the budget is normally presented.

Gross Budget = District total costs. This is what voters approve each March. This sets the cap on our expenses. In this case: \$56.388 million.

Everything else shown in Table 3 is considered *Revenue*. It comes from different sources (federal, state, and local) - and some of the revenue estimates change over time. Like between the time you vote and the time your tax bills are prepared.

Note that the "bottom line" *District Assessment* in this format is what needs to be raised by taxes.

ConVal Budget Summary		FY22-23 Approved
Local Sources		\$ 416,000
State Sources		\$ 411,000
Federal Sources		\$ 2,170,000
Transfers to Trust Funds		\$ 900,000
Unreserved Fund Balance to Reduce taxes		\$ 250,000
Total Estimated Revenues		\$ 4,147,000
Gross Budget		\$ 56,388,036
Less Estimated Revenues		\$ 4,147,000
Less State Funding		
Adequacy Grant		\$ 9,355,681
State Education Grant		\$ 3,053,932
District Assesment		\$ 39,831,423

Table 3 - ConVal Budget (Approved March 2022)

Remember, any budget is, in reality, only an estimate at a given point in time. After each fiscal year closes and the actual costs and revenues can be calculated and audited... *there is always going to be a difference...* a difference between both budgeted costs and revenues and actual costs and revenues.

Tax Schedule

The total amount of local education taxes to be collected in any calendar year is based on then current fiscal year school budget - as adjusted by the amount of taxes "returned" from the prior fiscal year.

Once again, keep that statement - and this schedule - in mind...

- March 8, 2002 – District voters approved the FY22-23 budget and Trust Fund Warrant Articles
- ~May 2022 – preliminary tax bills were issued
- June 30, 2022 – last day of FY 21-22
- July 1, 2022 – first day of FY22-23
- ~ November 2022 – final property tax bills were issued

The cycle will repeat in 2023.

When the Preliminary tax bills are prepared, all the information needed to calculate the total amount of local education taxes to be collected is not available. Hence the use of ½ of the previous year Final tax rate. Approximately ½ of the total taxes to be collected. It's in the ballpark (you can refer back to Table2 to see this).

When the Final tax bills were prepared, the previous FY has closed and the current FY is in process. The District Assessment for these bills use the current year budget (estimated) costs and revenues – *as adjusted by the actual prior year fund balance.*

Prior Year Fund Balance

By design and by law, our costs for any fiscal year will not exceed our revenues. Revenues will exceed costs – we call that the year-end “*Fund Balance*”.

The options for disposition of the “fund balance” include:

- Trust Funds
- Retention (see note below)
- “Return” funds to reduce taxes

These are listed in order of priority. All of these could and will be funded if the surplus is large enough to cover them all. *All are treated as revenue in the following fiscal year.* The actual amount to be “returned” can’t be determined until the fiscal year financial statements have been audited – typically months after preliminary tax bills are issued.

Note: In March 2021, District voters approved the retention option. The Board can vote to “retain” some of the surplus. This needs to be determined and approved by the Board before the close of the FY (June 30). There are limits on both the amount that can be retained and on how those retained funds can be utilized. This option is available for the first time when FY22-23 closes this June 30.

Before we go further, it’s useful to reorganize and add some information to the FY22-23 Budget information shown in Table 3.

Table 4 include two budgets for FY22-23 shown side by side. The “Approved” budget shown earlier and an “Adjusted” budget (used for Final Tax Bills).

Note that it’s easier to see that costs do in fact equal revenues.

You also see how the fund balance (surplus) from FY21-22 was treated as revenue in FY22-23.

This allowed us to utilize the prior year fund balance for the Trust Funds and to return funds to reduce taxes – a lot more than we budgeted. *This reduced the District Assessment used to calculate taxes.*

	FY22-23 Approved	FY22-23 Adjusted	Change
Operational Budget	\$ 53,101,036	\$ 53,101,036	
Federal Programs	\$ 2,287,000	\$ 2,287,000	
Trust Funds (direct)	\$ 100,000	\$ 100,000	
Trust Funds (Fund Balance)	\$ 900,000	\$ 900,000	
Gross Budget	\$ 56,388,036	\$ 56,388,036	
Revenues			
Local Sources	\$ 416,000	\$ 416,000	
State Sources	\$ 411,000	\$ 411,000	
Federal Sources	\$ 2,170,000	\$ 2,170,000	
State Funding			
Adequacy Grant	\$ 9,355,681	\$ 9,355,681	
State Education Grant	\$ 3,053,932	\$ 3,053,932	
Prior Year Funds			
Transfers to Trust Funds	\$ 900,000	\$ 900,000	
Funds to Reduce Taxes	\$ 250,000	\$ 2,761,822	\$ 2,511,822
District Assessment	\$ 39,831,423	\$ 37,319,601	\$(2,511,822)
Total Revenues	\$ 56,388,036	\$ 56,388,036	\$ -

Table 4 - ConVal FY22-23 Budget (Recast)

Let’s dig a bit deeper on these transfers.

Trust Funds – In March '22, District voters approved funding for a total of \$1,000,000 for our District Trust Funds. The Warrant Article that established the new Technology Fund specified that this would be funded as a direct appropriation. This means that funding was not dependent on availability of “fund balance”. The other \$900,000 for other Trust Funds was approved but it was “to come from *June 30, 2022 fund balance available for transfer July 1,2022, with no amount to be raised from taxation*”. The recast format in Table 4 makes that easier to see.

Article 3 of this series discusses Trust Funds in more detail.

Funds to reduce taxes – Historically, there has been a significant variation in this amount (actual vs budget). The Board includes a conservative estimate when we prepare the budgets for voter approval: \$250,000.

Table 5 shows the amount of “unreserved fund balance” that was budgeted and the amount returned for the last six years. The differences resulted in a reduction in the District Assessment used to prepare the Final tax Bills (except for the December 2020 tax bill – see note below).

"Unreserved Fund Balance"			
		Prior Year	
Tax Bill	School FY	Budgeted	Audited
Dec-17	FY 17-18	\$ 250,000	\$ 1,372,508
Dec-18	FY 18-19	\$ 250,000	\$ 853,337
Dec-19	FY 19-20	\$ 250,000	\$ 1,294,239
Dec-20	FY 20-21	\$ 250,000	\$ 250,000
Dec-21	FY 21-22	\$ 250,000	\$ 4,087,516
Dec-22	FY 22-23	\$ 250,000	\$ 2,761,822
Dec-23	FY 23-24	\$ 250,000	\$ 250,000
		Proposed	TBD

Table 5 - Prior Year Fund Balance

Note: COVID first hit us in March 2020, near the end of school FY19-20 just days after the FY20-21 budget has been approved. The unexpected costs reduced the amount returned that December. Federal and state funding kicked in, unpredictably – which explains some of the huge variation the last two years. We fully expect that the historical average of these returns will return.

Final Tax Bills - 2022

These were prepared after the availability of “fund balance” from FY21-22 was established for both the Trust Funds (\$900,000) and to reduce taxes (\$2.761 million). The amount that needed to be raised for the FY22-23 school year was adjusted – and your final tax bills reflected the \$2.5 million reduction in District Assessment shown in Table 4.

District Tax Assessment

Each fall, the NH Department of Education issues a “Cooperative District Apportionment” that includes a calculation of the amount “to be raised from local taxes”. Table 2 shows the final tax bill information for this past year (2022) and for several previous years. Note that this includes the actual (audited) fund balance from the previous year.

School Fiscal Year	18-19	19-20	20-21	21-22	22-23	Variance	
	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	V\$	V%
Final Property Tax Bill							
Prior year Fund Balance "Returned"	\$ 853,337	\$ 1,294,239	\$ 250,000	\$ 4,087,516	\$ 2,761,822	\$ (1,325,694)	-32.4%
Budget (MS22 & 24)	\$ 48,712,397	\$49,637,194	\$51,235,103	\$54,131,076	\$56,388,036	\$ 2,256,960	4.2%
Less Local Revenue & Credits	\$ (5,274,660)	\$ (4,513,274)	\$ (3,135,535)	\$ (7,534,516)	\$ (6,658,822)	\$ 875,694	-11.6%
Total to Apportion	\$ 43,437,737	\$45,123,920	\$48,099,568	\$46,596,560	\$49,729,214	\$ 3,132,654	6.7%
State Education Taxes	\$ 4,281,725	\$ 4,339,719	\$ 4,259,836	\$ 4,259,724	\$ 3,053,932	\$ (1,205,792)	-28.3%
State Adequacy Grant	\$ 7,373,770	\$ 8,062,504	\$ 8,512,066	\$ 8,500,570	\$ 9,355,681	\$ 855,111	10.1%
District Local Tax Assessment	\$ 31,782,242	\$32,721,697	\$35,327,666	\$33,836,266	\$37,319,576	\$ 3,483,310	10.3%
	V%	3.0%	8.0%	-4.2%	10.3%		

Table 6 - ConVal Cooperative District Apportionment

District Tax Assessment Apportionment

How is this “District Local Tax Assessment” split between the nine towns? The NH DOE “Cooperative District Apportionment” report referenced above also includes the amount to be raised by each town in the District. Note that the “adjusted” District Assessment shown in Table 4 is carries through both of these tables published by the state.

District Tax Assessments (2018-2022)							
Town	2018	2019	2020	2021	2022	2021-22 Change	
Antrim	\$ 3,395,767	\$ 3,275,899	\$ 3,770,878	\$ 3,487,778	\$ 4,154,639	\$ 666,861	19.12%
Bennington	\$ 1,762,575	\$ 1,949,857	\$ 1,996,829	\$ 2,138,074	\$ 2,452,148	\$ 314,074	14.69%
Dublin	\$ 3,352,339	\$ 3,529,139	\$ 3,667,159	\$ 3,373,668	\$ 3,702,217	\$ 328,549	9.74%
Francestown	\$ 2,838,560	\$ 2,905,954	\$ 3,300,595	\$ 3,052,248	\$ 3,498,188	\$ 445,940	14.61%
Greenfield	\$ 2,419,147	\$ 2,713,545	\$ 2,661,678	\$ 2,579,709	\$ 3,127,908	\$ 548,199	21.25%
Hancock	\$ 3,609,652	\$ 3,548,505	\$ 3,878,607	\$ 3,723,398	\$ 3,900,612	\$ 177,214	4.76%
Peterborough	\$11,373,973	\$11,686,901	\$12,575,878	\$12,207,636	\$12,817,822	\$ 610,186	5.00%
Sharon	\$ 715,508	\$ 796,110	\$ 850,891	\$ 817,060	\$ 906,214	\$ 89,154	10.91%
Temple	\$ 2,314,721	\$ 2,315,787	\$ 2,625,151	\$ 2,456,695	\$ 2,759,879	\$ 303,184	12.34%
CONVAL Total	\$31,782,242	\$32,721,697	\$35,327,666	\$33,836,266	\$37,319,627	\$ 3,483,361	10.29%
		2.96%	7.96%	-4.22%	10.29%		

Table 7 - ConVal Local Education Tax Assessments by Town

The **District Tax Assessment** is allocated amongst the nine towns based on the following funding formula that is mandated by the District **Articles of Agreement**:

- Average Daily Membership (ADM) – 50% (a factor based on students from each town)
- Equalized Value – 50% (a factor based on assessed values of homes in the District)

Here’s a summary of the current ADM and Equalized Value data used to apportion the 2022 property taxes by town.

District Allocation - 2022					
Town	ADM (2020-21)	% of District	Equalized Value (2021)	% of District	Total % District
Antrim	297.74	14.92%	\$ 382,434,078	12.80%	13.86%
Bennington	198.56	9.95%	\$ 182,770,144	6.12%	8.03%
Dublin	129.69	6.50%	\$ 325,449,717	10.89%	8.70%
Francestown	165.59	8.30%	\$ 278,925,795	9.34%	8.82%
Greenfield	204.26	10.23%	\$ 228,272,782	7.64%	8.94%
Hancock	159.53	7.99%	\$ 323,312,139	10.82%	9.41%
Peterborough	669.12	33.52%	\$ 984,669,535	32.96%	33.24%
Sharon	46.01	2.31%	\$ 64,923,499	2.17%	2.24%
Temple	125.56	6.29%	\$ 216,876,925	7.26%	6.77%
CONVAL Total	1996.06	100.00%	\$ 2,987,634,614	100.00%	100.00%

Table 8 - ConVal District Apportionment by Town

Summary

We've shown you how the ConVal School District budget is used to develop the 2022 Property Tax Bills.

These are a lot of variables each year that are difficult to predict with a high degree of certainty.

So if you ask us "how much will the proposed budget and proposed Trust Fund warrant articles impact my taxes next year?", we have to say "that all depends...."

But now you understand why we have to say that.

A wise man once said "A voter that doesn't know votes NO". Now you know.

Thank you for taking the time to read this series of articles. We hope they result in more "yes" votes.

Jim Fredrickson (Sharon)

Chairman, Budget & Property Committee
Conval School Board