



Sixth Grade Warrant Article #6

February 25 2021

Sixth Grade Tuition Working Group

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Hanover/Dresden School Board: Kim Hartmann, Rick Johnson

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***Recommended by Hanover and Dresden School Boards
Supported by Hanover Finance Committee***

Contents

- Current Hanover sixth grade tuition arrangement
- Recommended arrangement
 - Methodology
 - Cost-benefit analysis
- Dissection of warrant article #6

Current Hanover Sixth Grade Tuition Arrangement



SAU 70 School Districts defined



Hanover School District

- Includes The Ray School (K-Grade 5) and pays tuition to Dresden/RMS for Grade 6 education
- Special Education for all Hanover students
- AM/PM school transportation



Dresden School District

- Grades 7-12 per interstate compact between Hanover and Norwich
- Provides Grade 6 education at RMS on tuition basis, *almost* exclusively to Hanover students

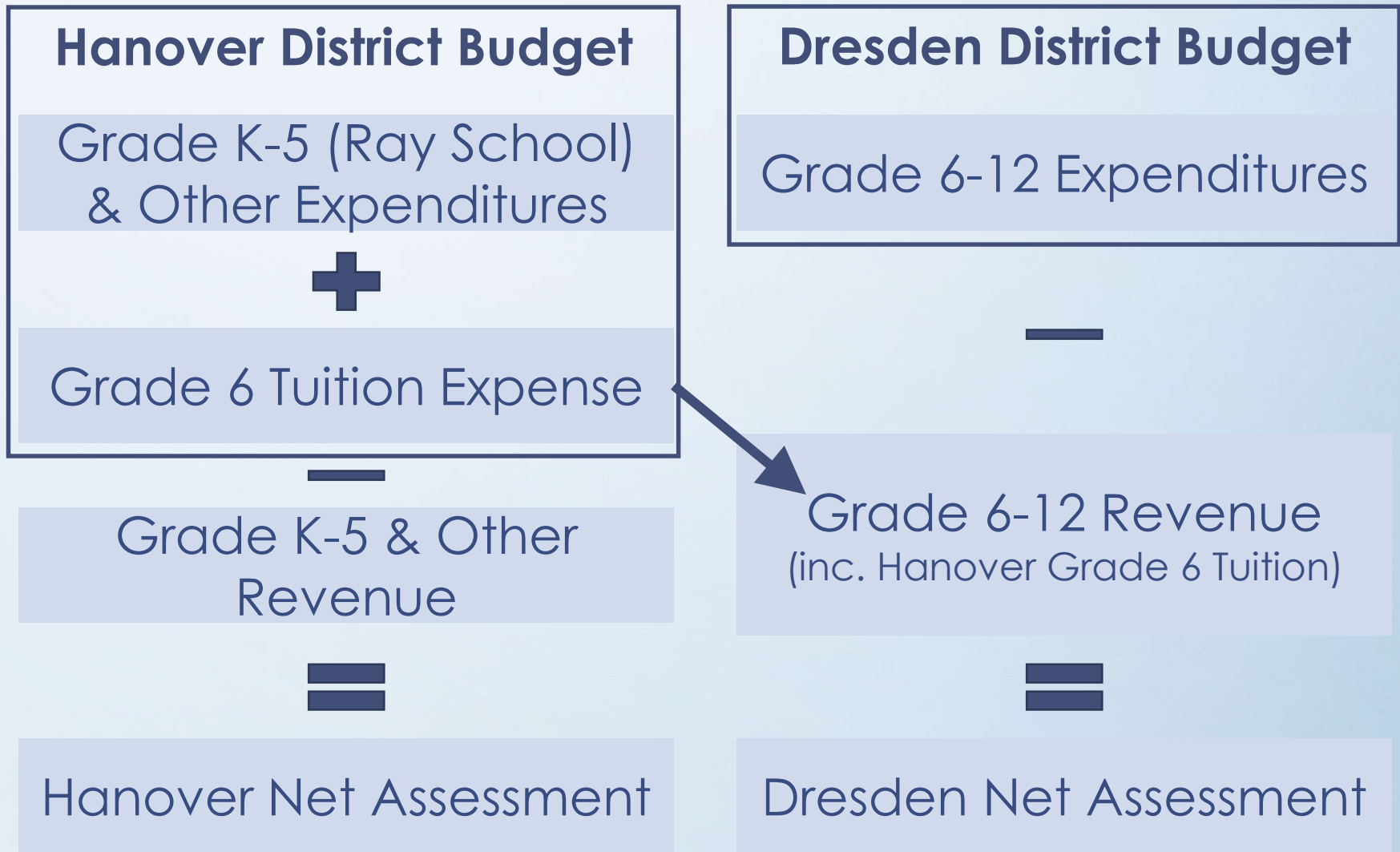


Norwich School District

- Grades PreK-6 for Norwich students
- Special Education for all Norwich students
- AM/PM school transportation

Note: Excludes SAU 70, governance body that provides administrative services across SAU 70 (e.g., Superintendent, HR, Technology)⁴

Hanover District pays Dresden to educate Grade 6 students per tuition arrangement



Grade 6 tuition payment is calculated on a projected average cost per pupil basis

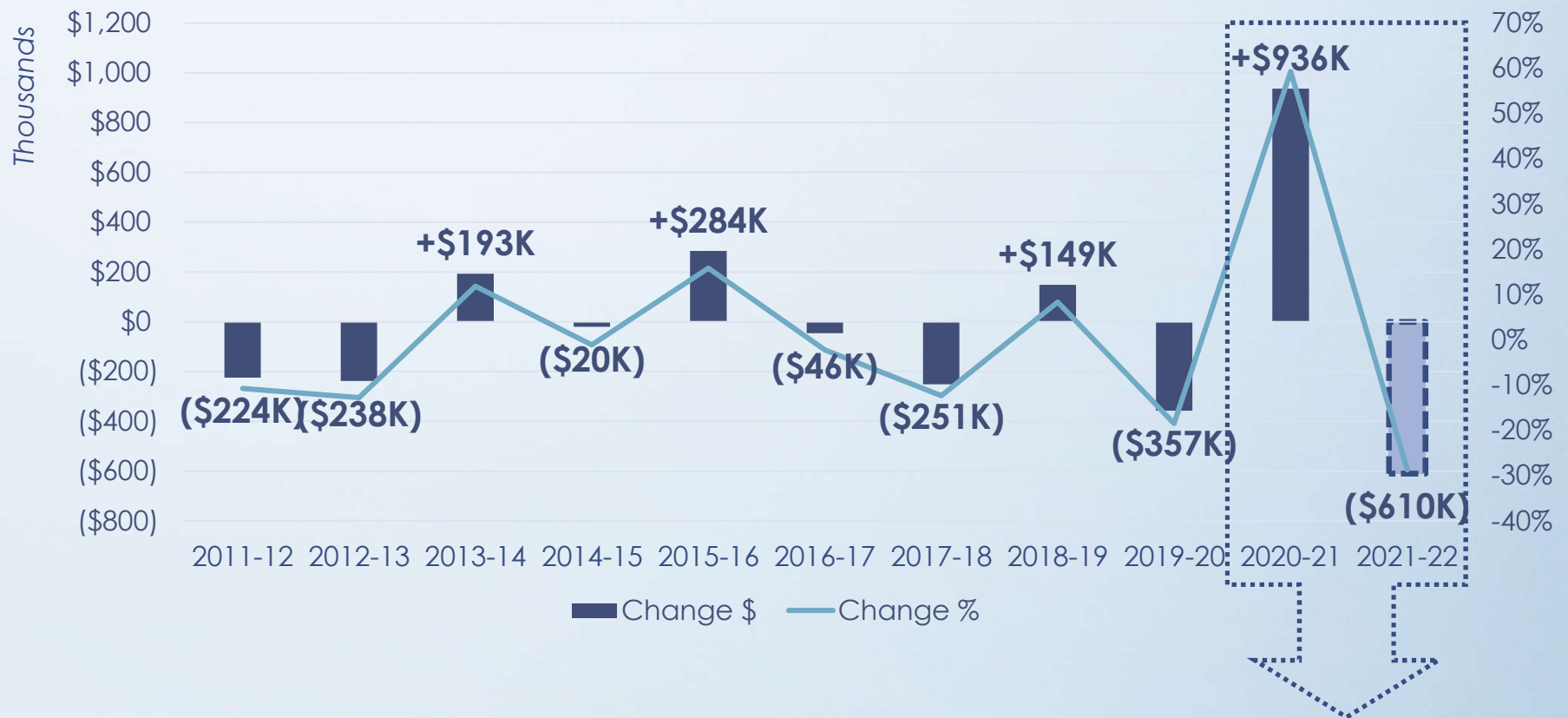


6th Grade Tuition Calculation

= (Average cost per pupil at RMS from prior year
x Projected # of 6th Grade students)
+ Capital/construction cost of 6th Grade wing
+ OR – “True Up” adjustment to actual # of students from
prior year

Current method results in substantial year to year swings in tuition payment

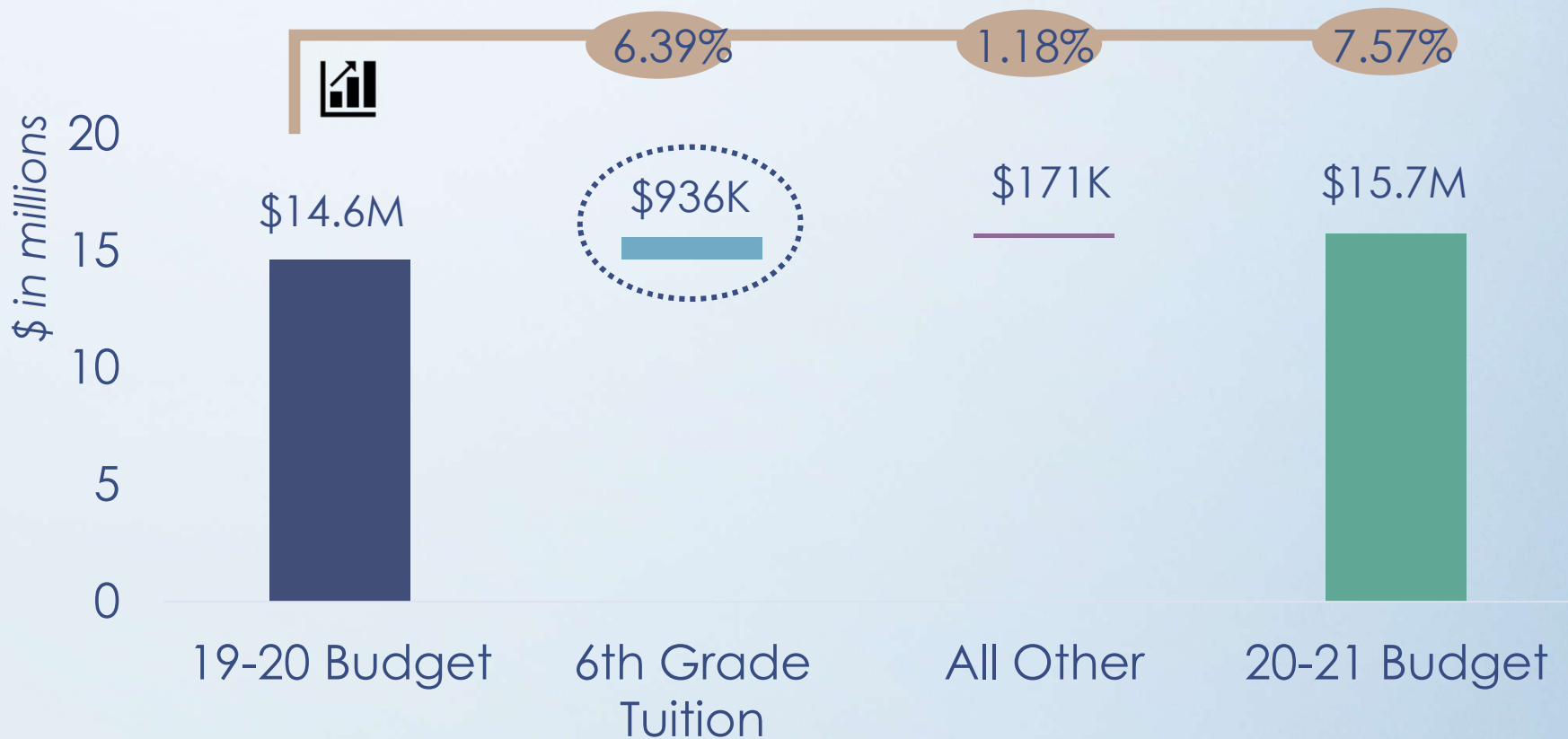
Let's take a closer look...



Note: 2021-22 Tuition based on budget approved by Dresden/Hanover Boards in January 2021

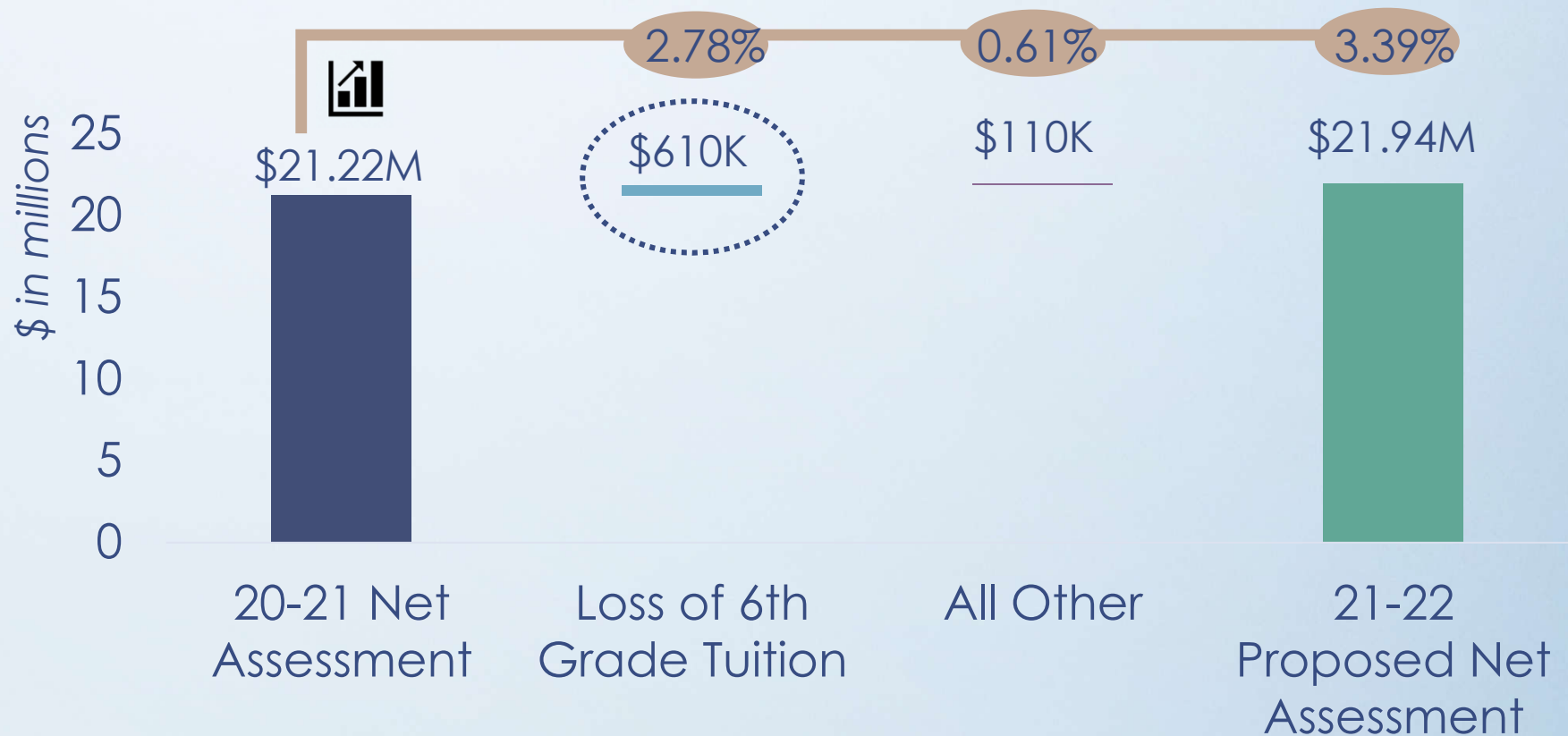
Swings in sixth grade tuition weigh on tax assessments for Hanover and Dresden

20-21 Hanover School District Budget



Dresden feels the unfavorable swing back the following year when class size is smaller and large class didn't materialize

21-22 Dresden School District Net Assessment



Note: 2021-22 Dresden School District budget as board-approved in January 2021.
All warrant articles included.

Problem: Sixth grade tuition swings muddy the operating budget presented to voters and restrict district planning

- **Large, volatile swings on each District ballot annually:** Hanover and Norwich are each exposed to roughly 1/3 of the tuition payment swings each year
- **The following year catch-up payment seems to increase volatility** particularly as the extreme estimates don't often occur and improving our forecasting accuracy isn't feasible at this point
- **Hanover and Dresden budgets are voted separately** so the combined tax impact is only presented in town hall, board meetings and mailings
- **Inter-district payments make it hard to understand real budget drivers:** For example, Norwich faces 8.22% increase in 2021-22 Dresden net assessment, but Dresden is only spending 1.44% more (6th grade tuition is a major factor)
- **Current tuition arrangement is an obstacle to long-term planning** as the Grade 6 cohort swings between district budgets nearly every other year, which challenges the inclusion of strategic investments desired in the unfavorable budget years
- **Tuition rate gets compared** to in vs. out of district students

*Note: 2021-22 Dresden School District budget as board-approved in January 2021.
All warrant articles included.*

Recommended Arrangement



Recommendation: Dresden includes sixth grade if exclusive provider

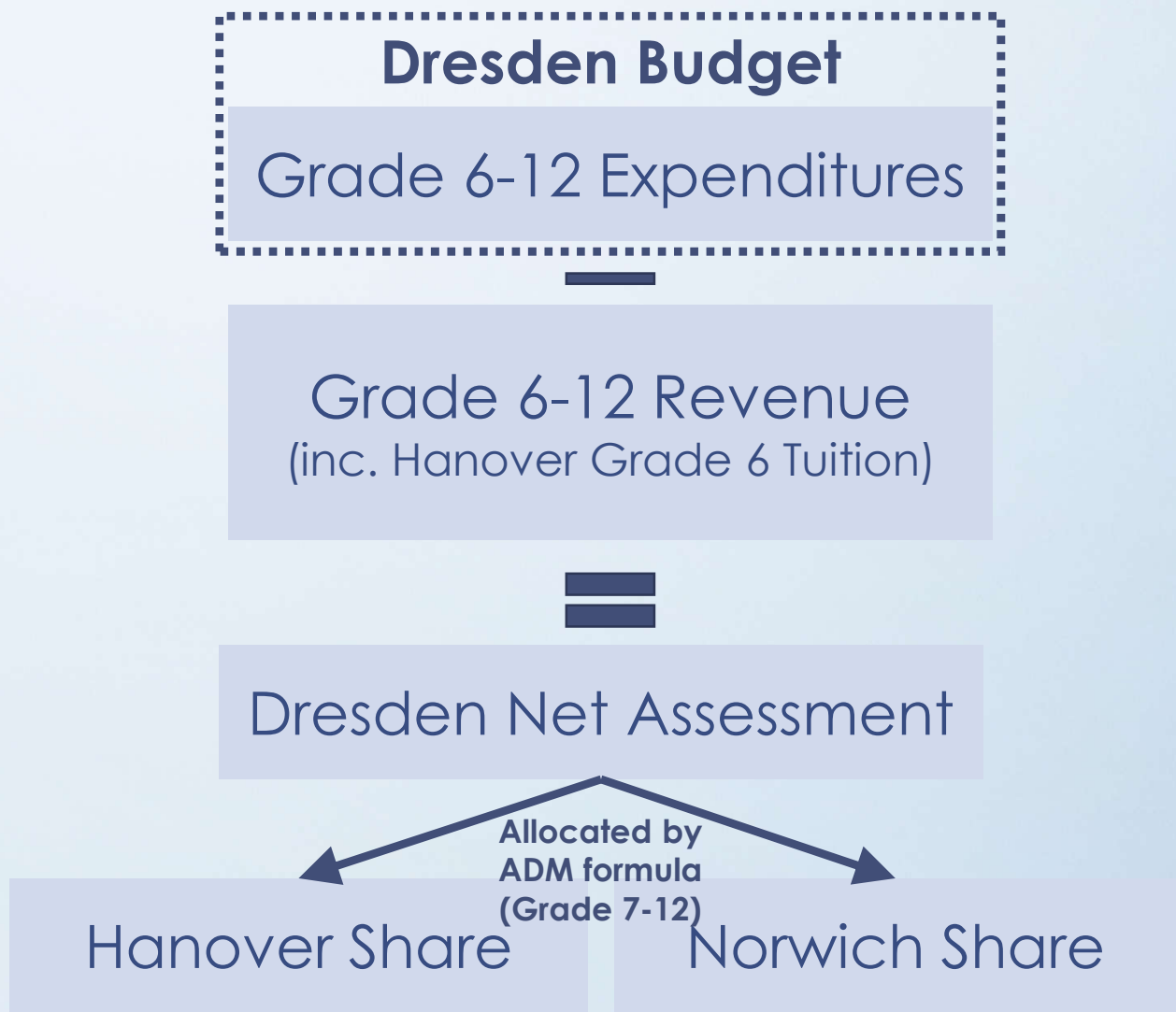
- Incorporate sixth grade education into Dresden under the same capital/assessment allocation used for Grades 7-12 (aka “ADM formula”)
- Dresden will provide sixth grade educational services for those member districts who state Dresden is exclusive provider (currently only Hanover in practice)
- Hanover School District will no longer pay Dresden as all sixth grade expenditures would remain within Dresden
- Hanover taxpayers still pay for sixth grade education, but will be included in the Dresden assessment

What is “ADM formula”?

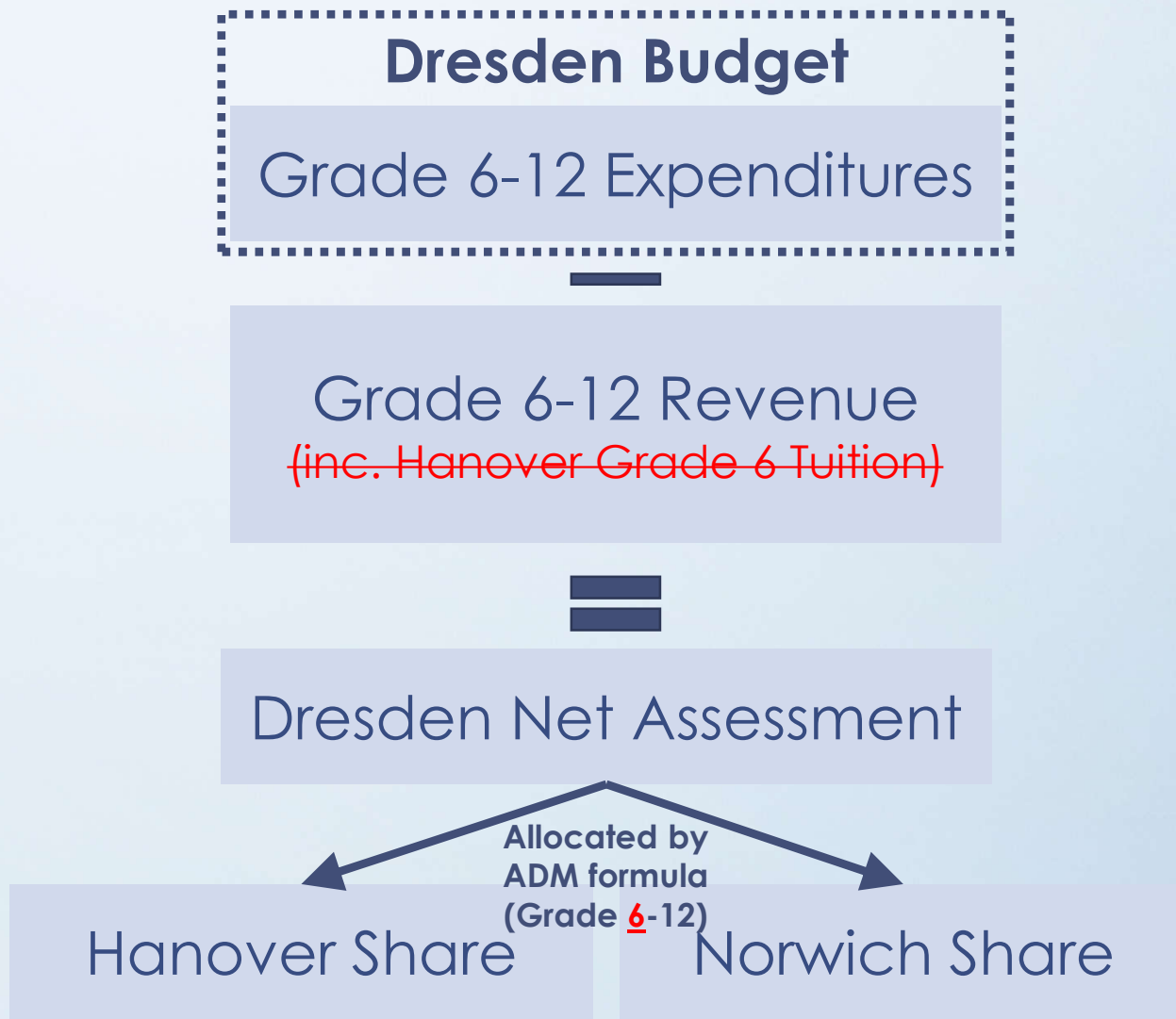
- Average Daily Membership (ADM) is a measure of enrollment
- Dresden ADM is the average daily enrollment of grade 7-12 students residing in Hanover or Norwich
- The Dresden net assessment is allocated between Hanover and Norwich based on the average student enrollment (ADM) from each town over the last completed school year*
 - For example, ADM from school year 2019-20 dictates the allocation of the 2021-22 Dresden net assessment
- The sixth grade Hanover students at RMS have historically been removed from the ADM calculation due to the tuition arrangement
 - However, Hanover and Norwich share the Hanover sixth grade operating expenses and the tuition revenue per the split determined by the grade 7-12 ADM

* After adjusting for differences in respective capital/debt costs and state aid

Current method

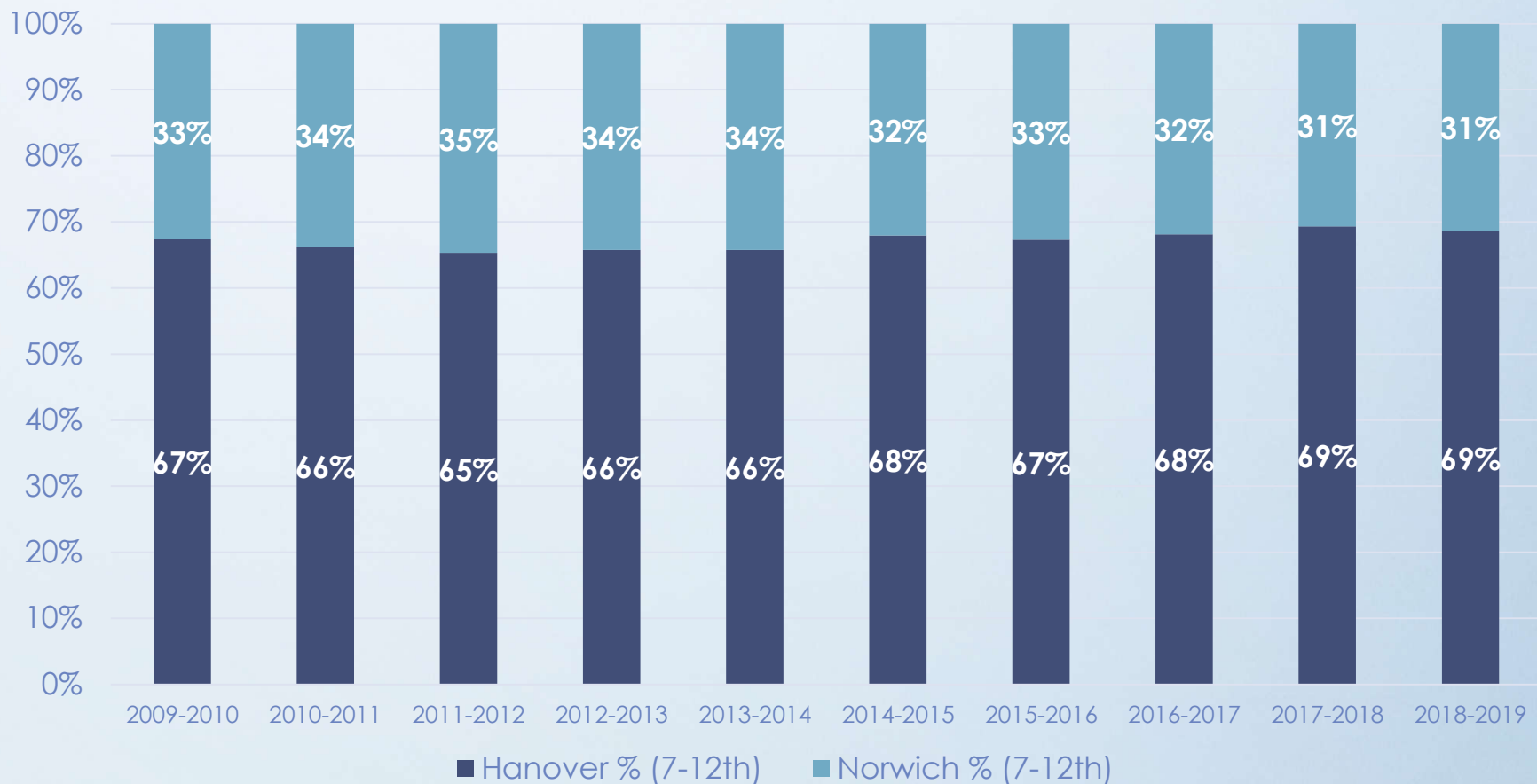


New method: Recommended change to include Grade 6 in ADM



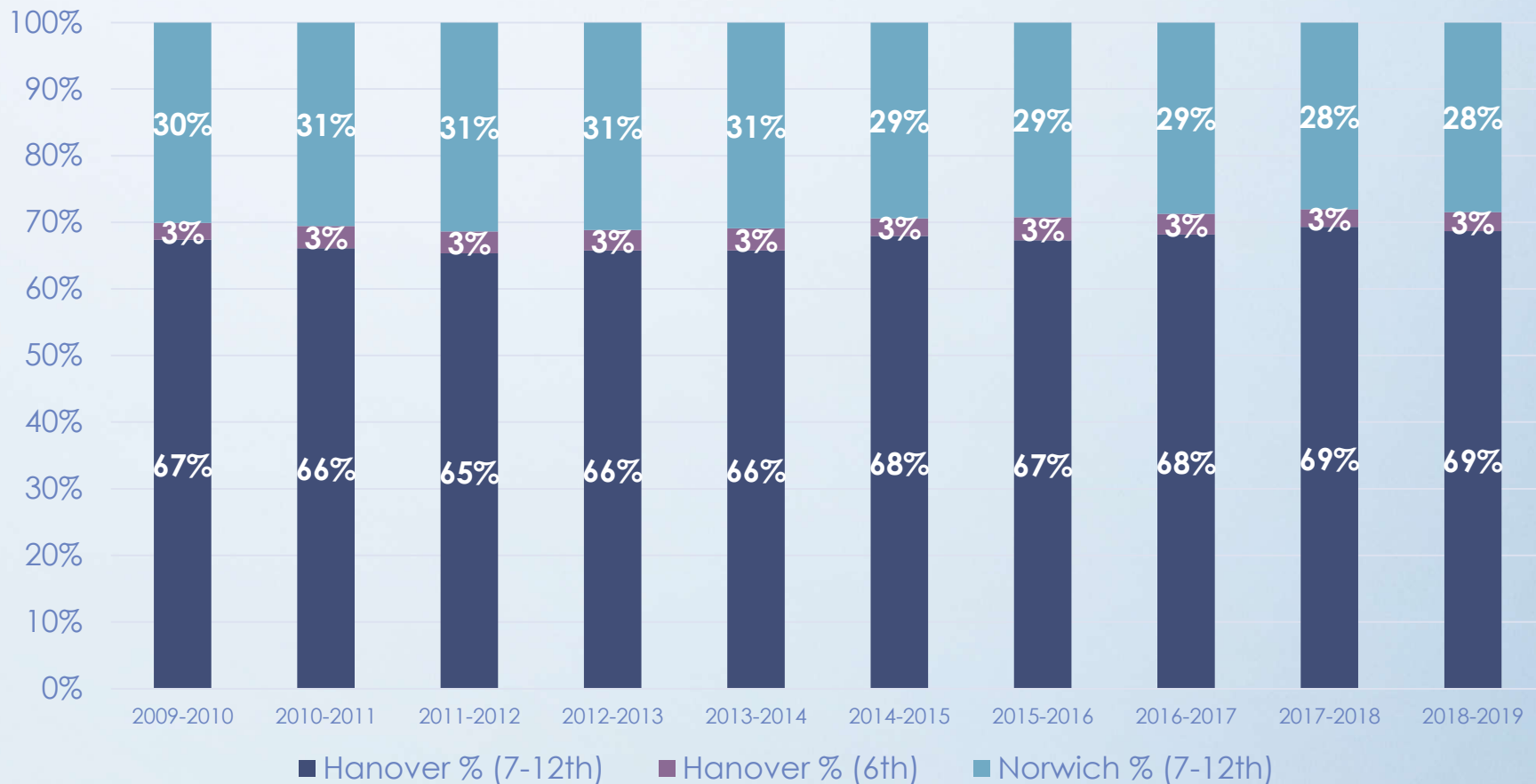
Dresden enrollment history between Hanover and Norwich

ADM school years (current method)



If Hanover sixth grade is included in ADM, then ~3% is added to its share

ADM school years (new method)



ADM formula for Hanover share is adjusted for state aid / debt related to capital improvements

ADM formula to calculate town shares (current method):

	Dresden Net Assessment (inc. Hanover Grade 6 tuition)
+	NH Building Aid
-	2007 Athletic Field Bond (Debt)
<hr/>	
=	(Adjusted Dresden Net Assessment
x	Hanover's ADM % (Grade 7-12))
<hr/>	
=	Hanover's Preliminary Share (Pre-state aid/debt adj)
-	NH Building Aid
+	2007 Athletic Field Bond (Hanover share based on ADM)
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=	Hanover Share of Dresden Assessment

Norwich share of Dresden Assessment is then the difference between total Dresden and Hanover share

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Hanover grade 6-12 costs over last ten years calculated by new method

Budget Year	Dresden Net Assm't	Add: Forgone Gr 6 Tuition Rev	Add: NH Bldg Aid	Less: AFB Debt	= Adj Dresden Net Assm't	x New Han 6-12 ADM %	= Han Prelim Share	Less: NH Bldg Aid	Add: AFB Han Share	= Han Final Share (6-12)
2011-12	17,384,646	1,863,875	570,182	191,756	19,626,947	69.9%	13,721,002	570,182	145,061	13,295,881
2012-13	18,372,568	1,626,164	543,525	192,006	20,350,251	69.4%	14,127,348	543,525	144,236	13,728,059
2013-14	18,416,684	1,818,733	518,801	192,006	20,562,212	68.6%	14,109,379	518,801	142,567	13,733,145
2014-15	19,236,037	1,798,995	492,293	191,756	21,335,569	68.8%	14,683,139	492,293	142,801	14,333,647
2015-16	19,394,560	2,083,480	467,272	191,256	21,754,056	69.1%	15,029,225	467,272	142,981	14,704,934
2016-17	19,712,424	2,037,529	451,899	190,506	22,011,346	70.6%	15,539,570	451,899	145,535	15,233,206
2017-18	20,602,900	1,786,696	425,010	194,506	22,620,100	70.8%	16,009,376	425,010	148,964	15,733,329
2018-19	20,480,180	1,935,383	404,588	183,556	22,636,595	71.3%	16,131,064	404,588	141,543	15,868,019
2019-20	20,792,060	1,578,292	385,074	183,156	22,572,270	71.9%	16,239,845	385,074	142,592	15,997,363
2020-21	21,216,900	2,513,847	366,757	181,856	23,915,648	71.5%	17,108,298	366,757	140,733	16,882,314

Adjusted since historical net assessments included Grade 6 tuition revenue

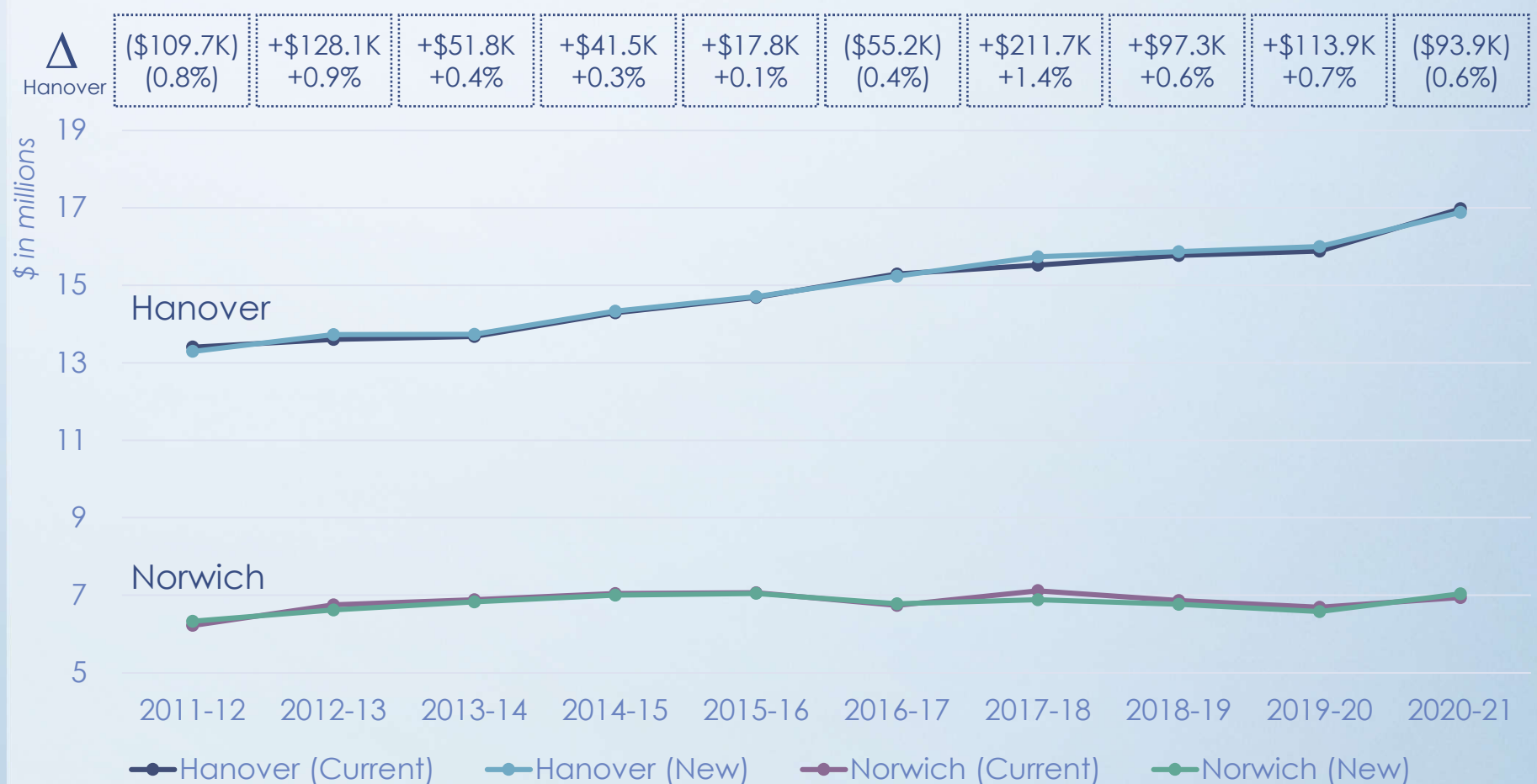


Only input that will change from regular process



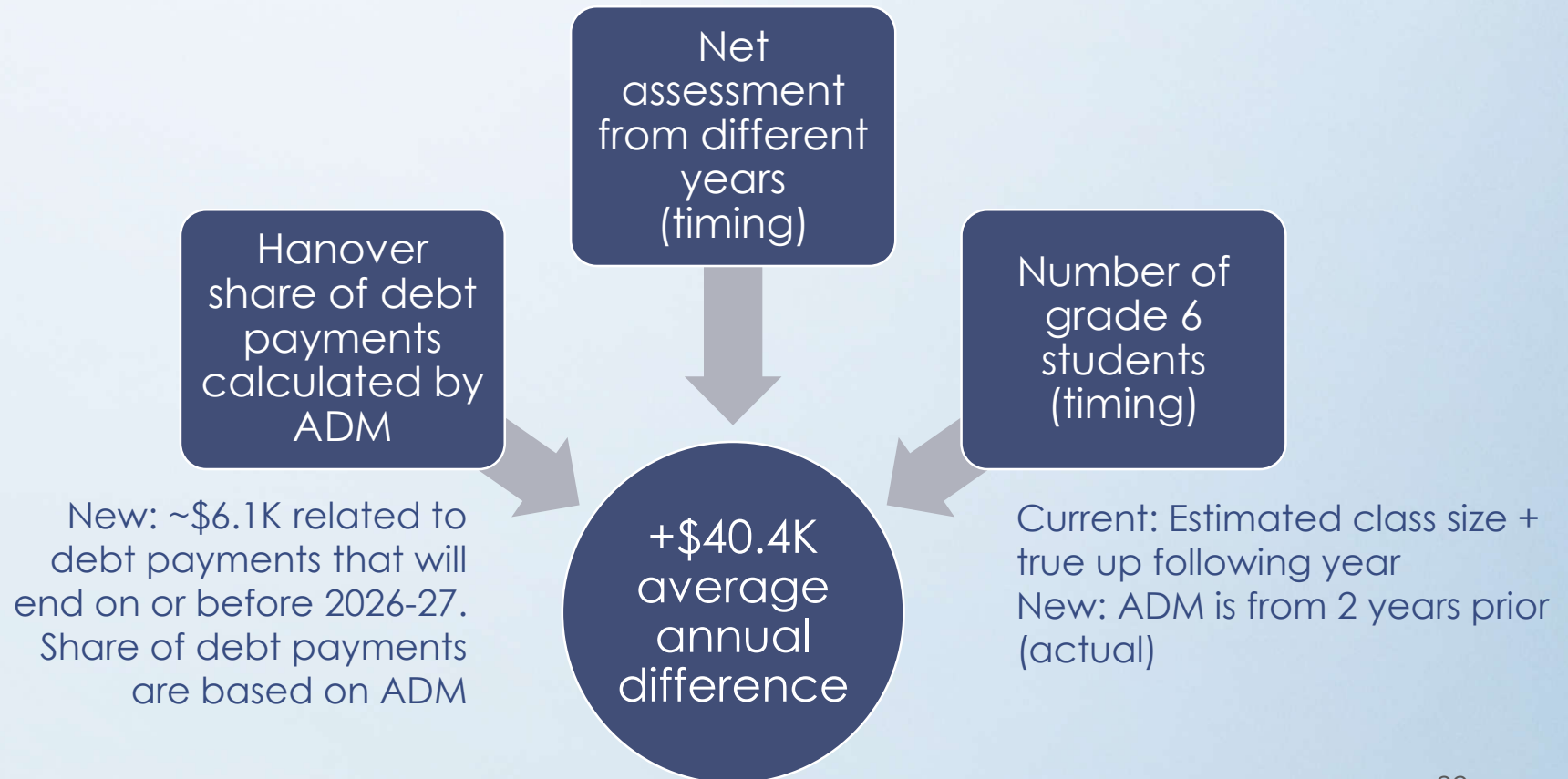
Hanover and Norwich final share of Dresden grades 6-12 costs (current vs new)

Average annual difference between methods: +\$40.4K to Hanover



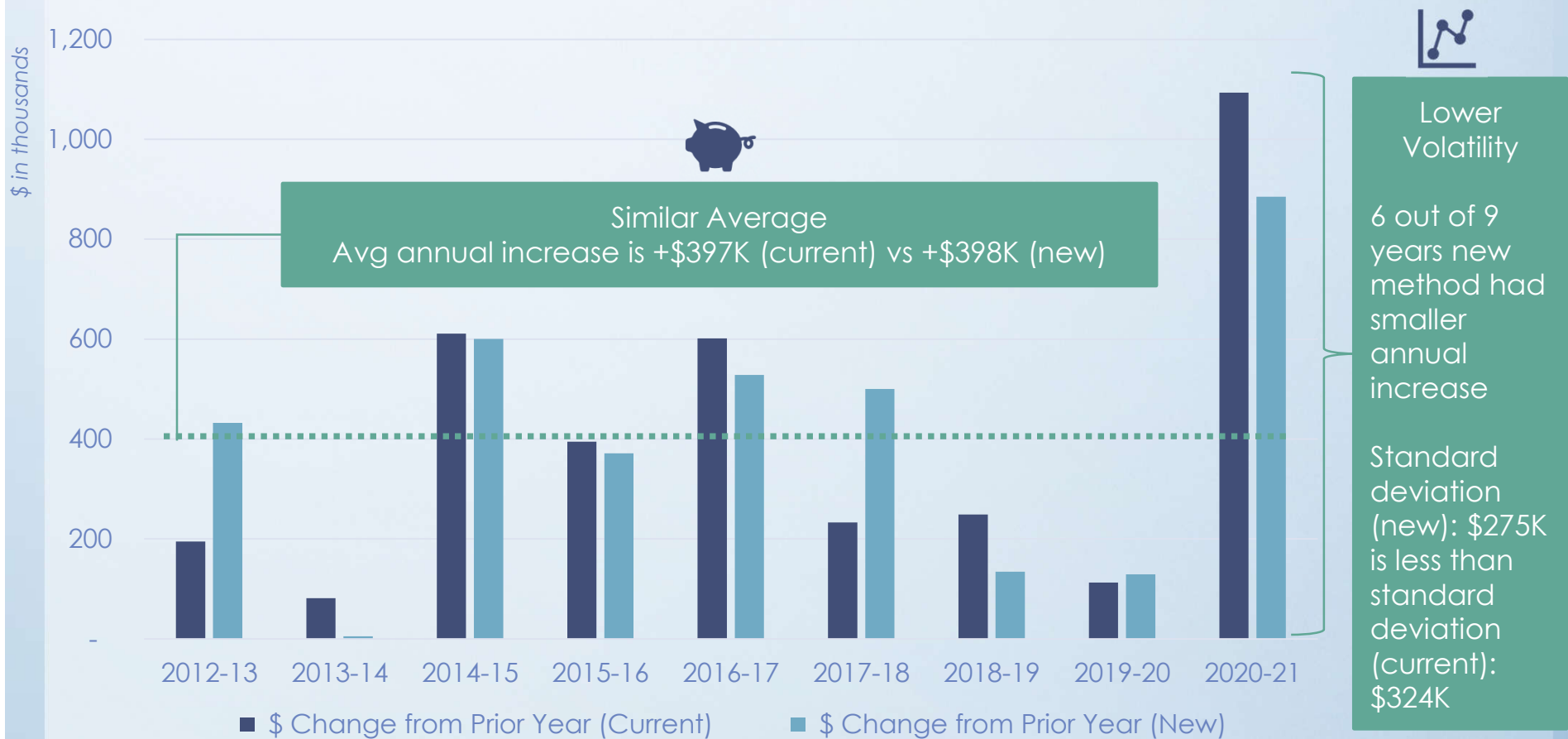
Why there is a difference between methods

Current: Tuition rate based on prior year's average cost
New: Active budget year net assessment allocated



New method results in similar average annual cost increase with lower volatility

Annual change in Hanover Grade 6-12 costs



Projected Dresden enrollment share as a proxy for ADM



Larger population means less sensitive

+1 student changes 4-yr average enrollment share by...
 New: +0.034%
 <
 Current: +0.041%

Assessment projection changes using full enrollment count pushed forward with / without Hanover 6th Grade Class included. State ratified numbers used for ADM calculation will vary as they are based on actual average daily membership over 180 days.

Benefits of new method

- **Lower volatility:** Annual shifts in ADM method would have been smaller than existing per pupil tuition payments
- **Improves alignment:** Keeps expenses practical and aligned with education and governance
- **Enhances long-term planning:** Each district has greater autonomy and control as not having to immediately react to impact of sixth grade cohort
- **Greater transparency:** Removes muddy inter-district transfer to show real budget drivers
- **No comparison of tuition payments** for in-district vs out-of-district students
- **Reduces opportunities for calculation errors:** Fewer, different calculations required
- **Opens door for Hanover and Norwich:** Provides a legal avenue to include Hanover and Norwich Grade 6 into Dresden should there ever be a desire
- **Makes capital improvements to RMS more straightforward:** RMS building will fall under same Dresden allocation method

Considerations

- **Potentially more expensive to Hanover:** Some years more and some years less, but on average, over 10 year history Hanover taxpayers would pay ~\$40.4K more per year (0.16% of local school tax effort*) than it would have
 - For a \$500,000 assessed home in Hanover, this would represent an average increase of \$8.78 beginning in 2022-23 and would likely decrease by ~\$1.33 after the Athletic Field Bond is paid off on or before 2026-27
- **No reserve fund option in Dresden:** Hanover sixth grade reserve fund would no longer be a tool to balance out swings in town tax assessment
- **Bridgman Funds:** Presume Bridgman Funds could still serve Hanover sixth grade students as in past, but would need to confirm

Dissection of Warrant Article #6



On the ballot March 2 2021...



Dresden School District

- Votes whether or not to amend the articles of agreement to expand Dresden to Grade 6 education if member district designates Dresden as exclusive provider



Hanover School District

- Votes whether or not to designate Dresden School District as exclusive provider of Grade 6 education, *contingent upon the passage of the Dresden warrant article*

If both pass, then Hanover Grade 6 would join as early as the 2022-23 budget year

Dresden Warrant Article #6

Amendment to the Articles of Agreement

Shall the Dresden School District vote to amend its Articles of Agreement, specifically Article (D) effective as of the 2022-2023 school year to read as follows:

D. The Dresden School District shall be responsible for grades 7-12 inclusive, **provided, however, that Dresden School District shall be responsible additionally for grade 6 upon the affirmative vote of a member school district designating Dresden School District as the exclusive provider of sixth grade educational services to the students of such member school district which designation shall become effective no earlier than the fiscal year following the next annual meeting, or such later date as the Dresden School Board determines in its discretion is necessary to permit the construction of any capital improvements to accommodate the projected additional students. Such designation shall be conditioned upon the member district contributing its equitable share of the capital, as determined by the Dresden School Board, for incremental grade 6 building costs. If such contribution is not made, such designation shall be deemed to have been made on a space available rather than exclusive basis.**

The Dresden School District may operate schools for grades other than grades 7-12 for students received on a tuition basis. No tuition students shall be received from the Norwich and Hanover School Districts by the Dresden School District except pursuant to a tuition contract approved by the receiving and sending districts.

[New material underlined.]

Thank You

