



# Sixth Grade Tuition Warrant Article

*January 2021*

## **Sixth Grade Tuition Working Group**

Hanover Finance Committee: Carey Callaghan  
(Working Group Chair), Kari Asmus, Mac Gardner

Hanover School Board: Kim Hartmann, Rick  
Johnson

SAU 70 Administration: Jamie Teague, Business  
Administrator

# Contents

- Current sixth grade tuition arrangement
- Recommended arrangement
  - Methodology
  - Cost-benefit analysis
  - Approval process

# Current 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

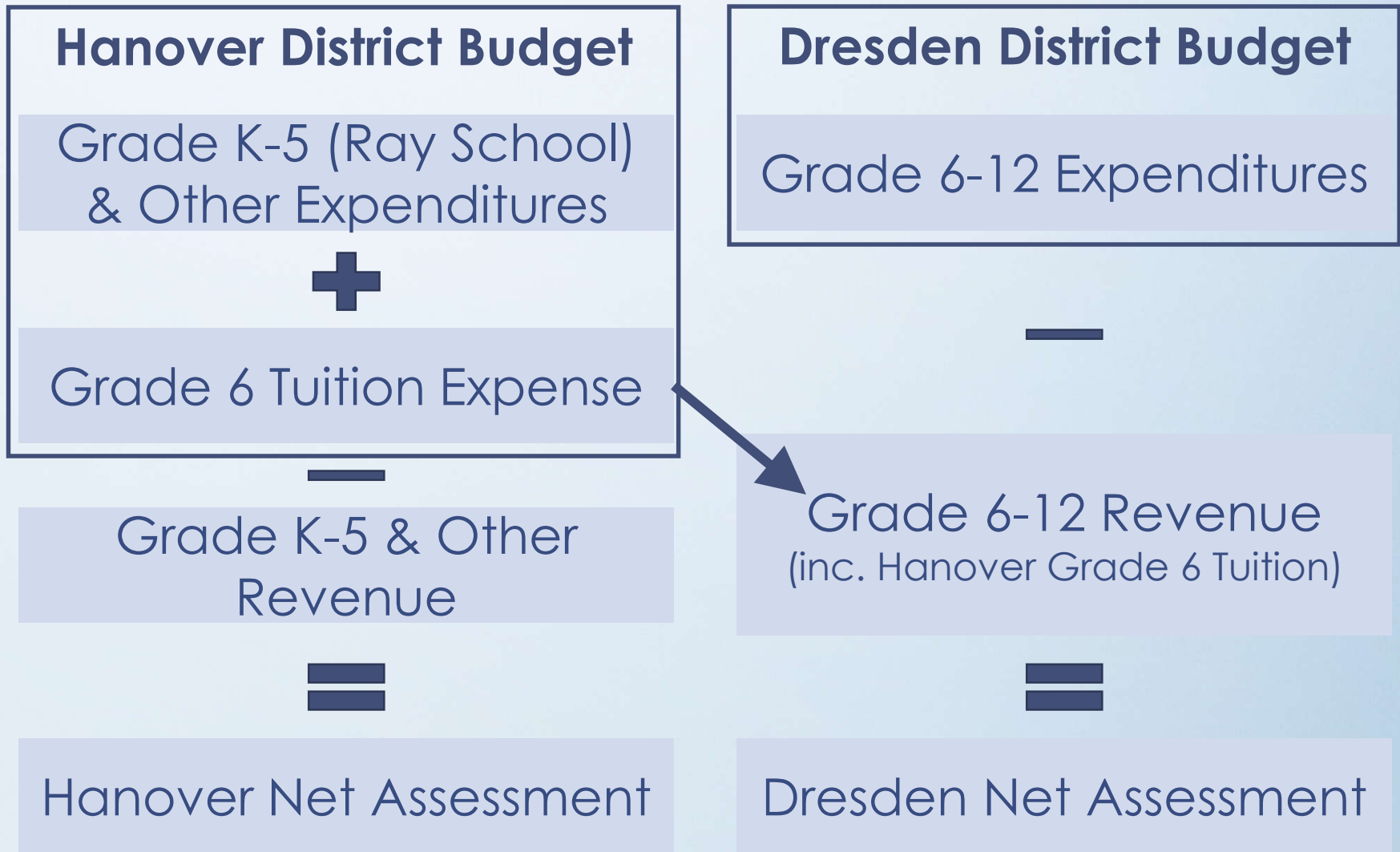


Norwich School District

- 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)<sup>4</sup>

# 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

Hanover School District



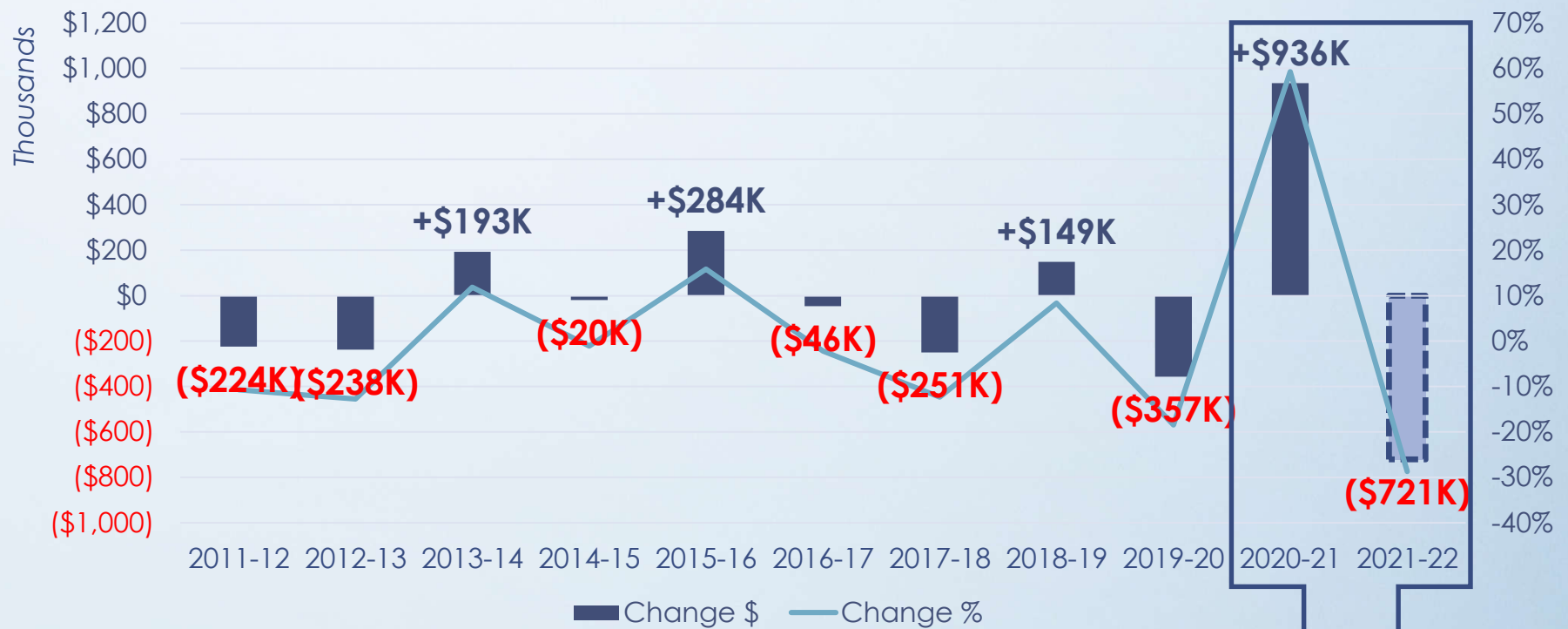
Dresden School District

### 6<sup>th</sup> Grade Tuition Calculation

= (Average cost per pupil at RMS from prior year  
x Projected # of 6<sup>th</sup> Grade students)  
+ Capital/construction cost of 6<sup>th</sup> 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

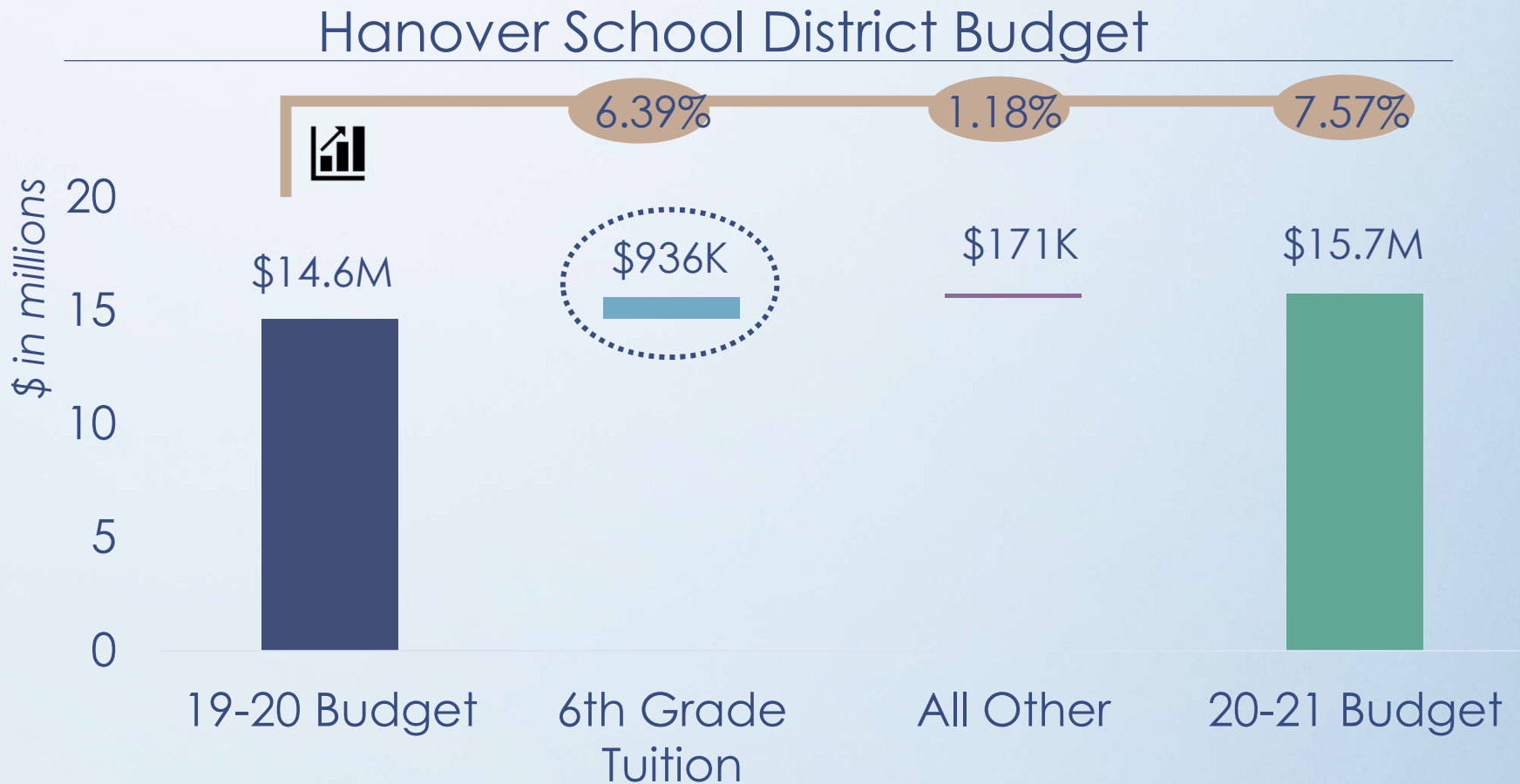
Let's take a closer look...



10-year average change: **(\$27K)** per year

Note: 2021-22 Tuition estimate based on estimate as of budget proposal presented in December 2020 <sup>7</sup>

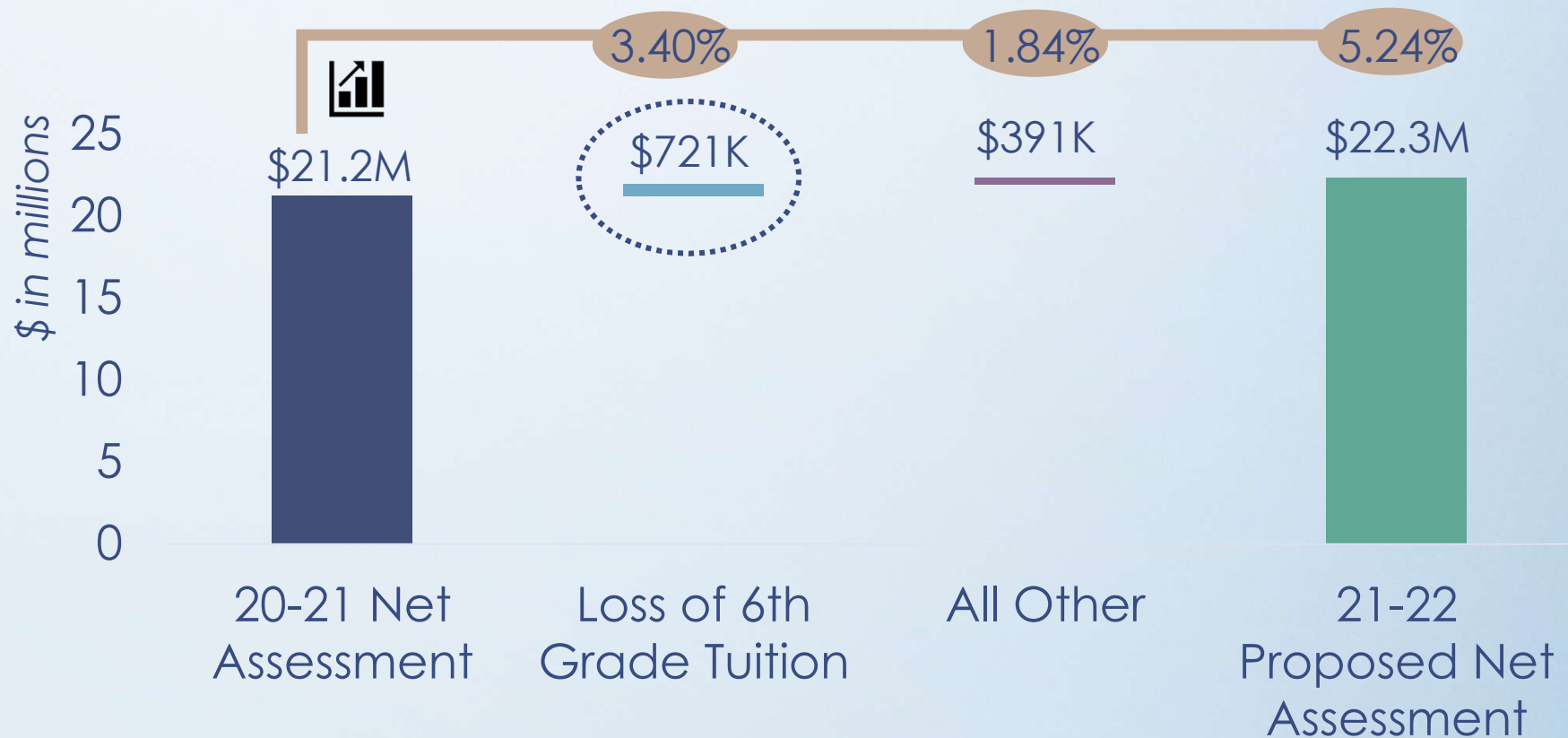
# Swings in sixth grade tuition weigh on tax assessments for Hanover and Dresden





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

### Dresden School District Net Assessment



Note: 2021-22 Dresden School District draft budget as presented in December 2020

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

- **Hanover and Dresden budgets are voted separately** so the combined tax impact is only presented in town hall and board meeting discussion and mailings
- **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
- **Inter-district payments make it hard to understand real budget drivers:** For example, Norwich faces 10% increase in 2021-22 Dresden net assessment, but Dresden is only spending 1.37% more (6<sup>th</sup> 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 amount gets compared** to in and out of district students
- **The following year “true-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

*Note: 2021-22 Dresden School District draft budget as presented in December 2020*

# Recommended Arrangement



## Recommendation: Dresden includes sixth grade if exclusive provider

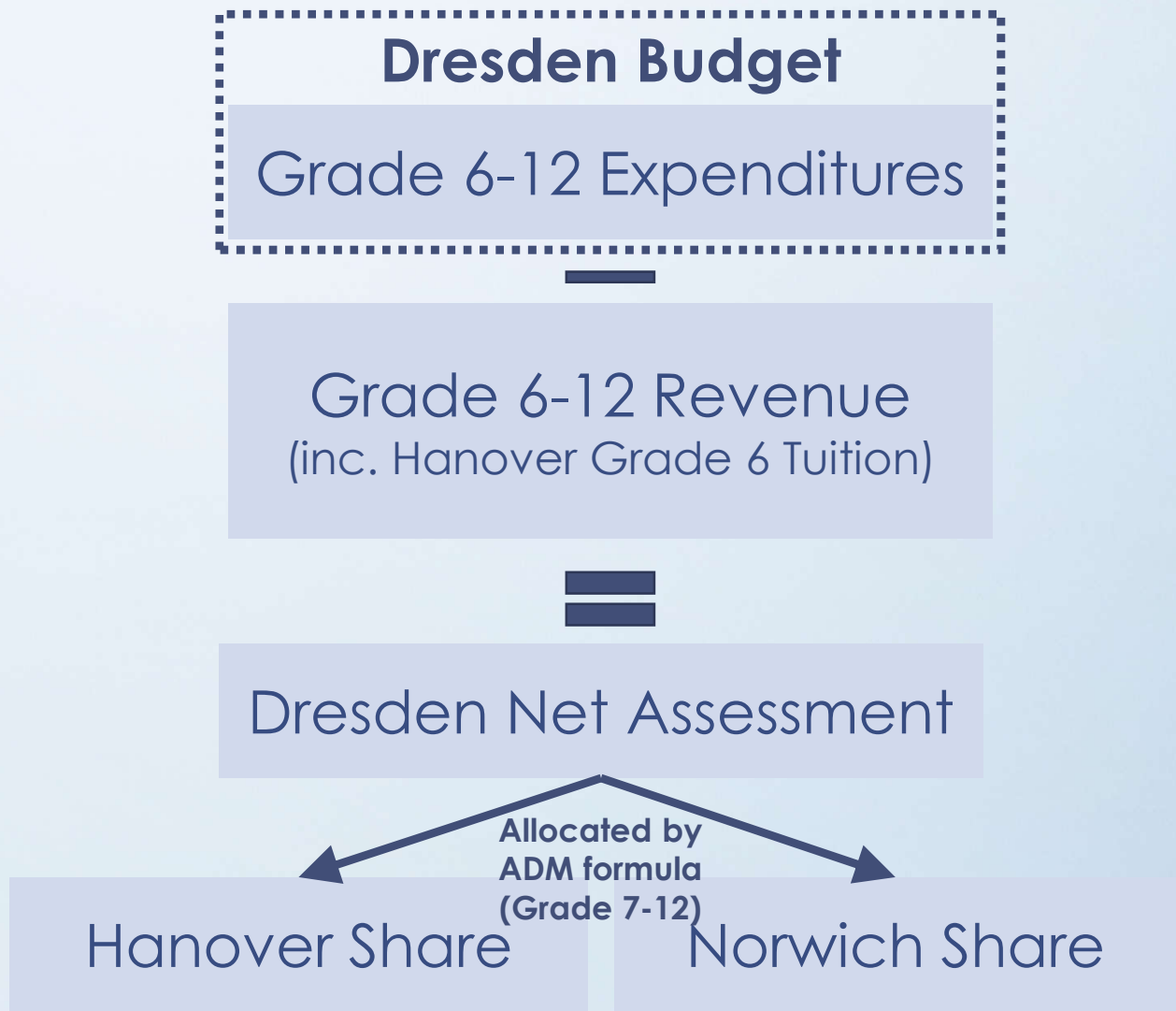
- Incorporate sixth grade education into Dresden under the same capital/assessment allocation used for Grades 7-12 (aka “ADM formula”)
- Dresden will provide sixth grade educational services for those member districts who state Dresden is exclusive provider (currently only Hanover in practice)
- Hanover 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

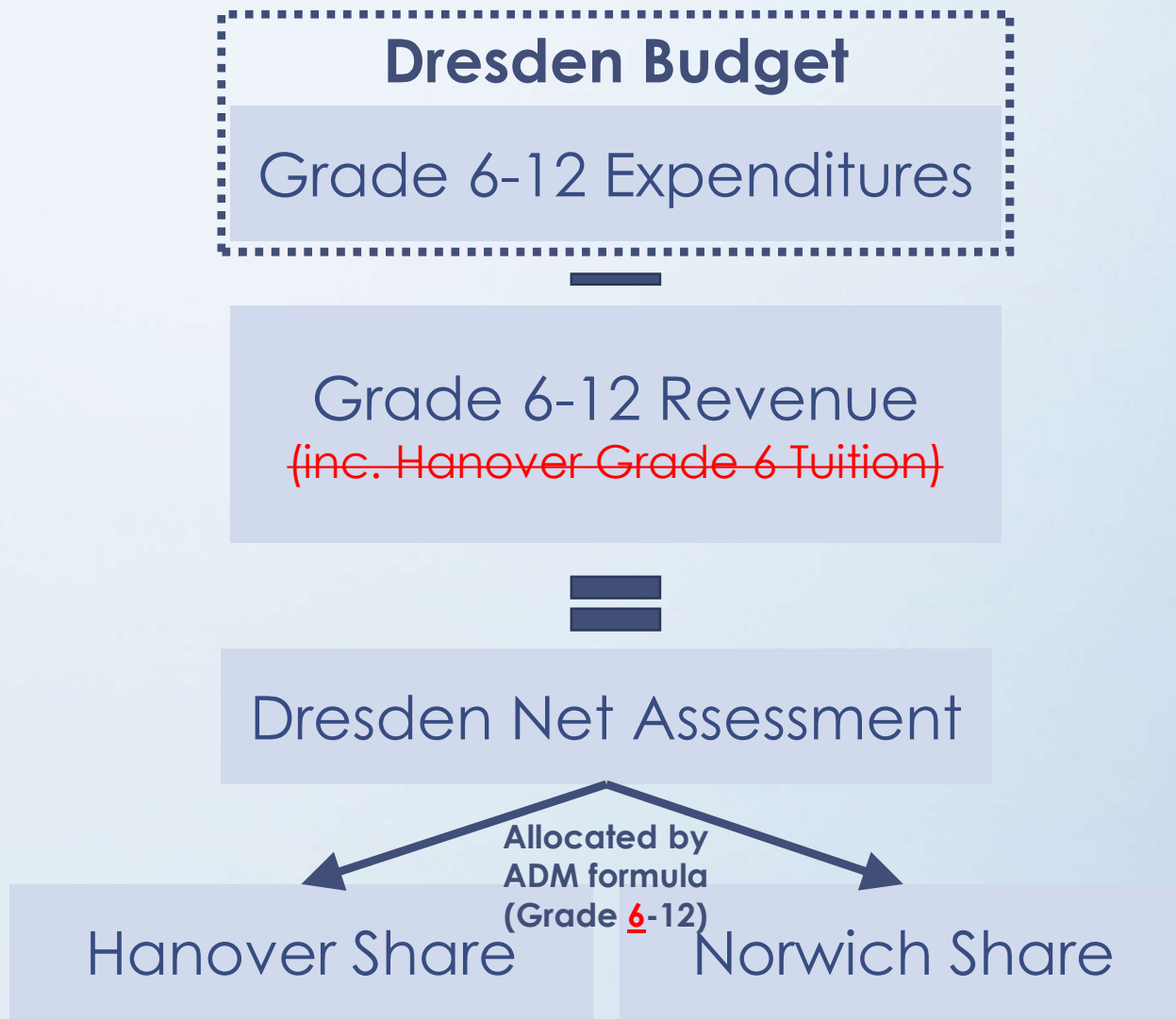
\* After adjusting for differences in respective capital/debt costs and state aid

Recall what's happening now  
(current method)



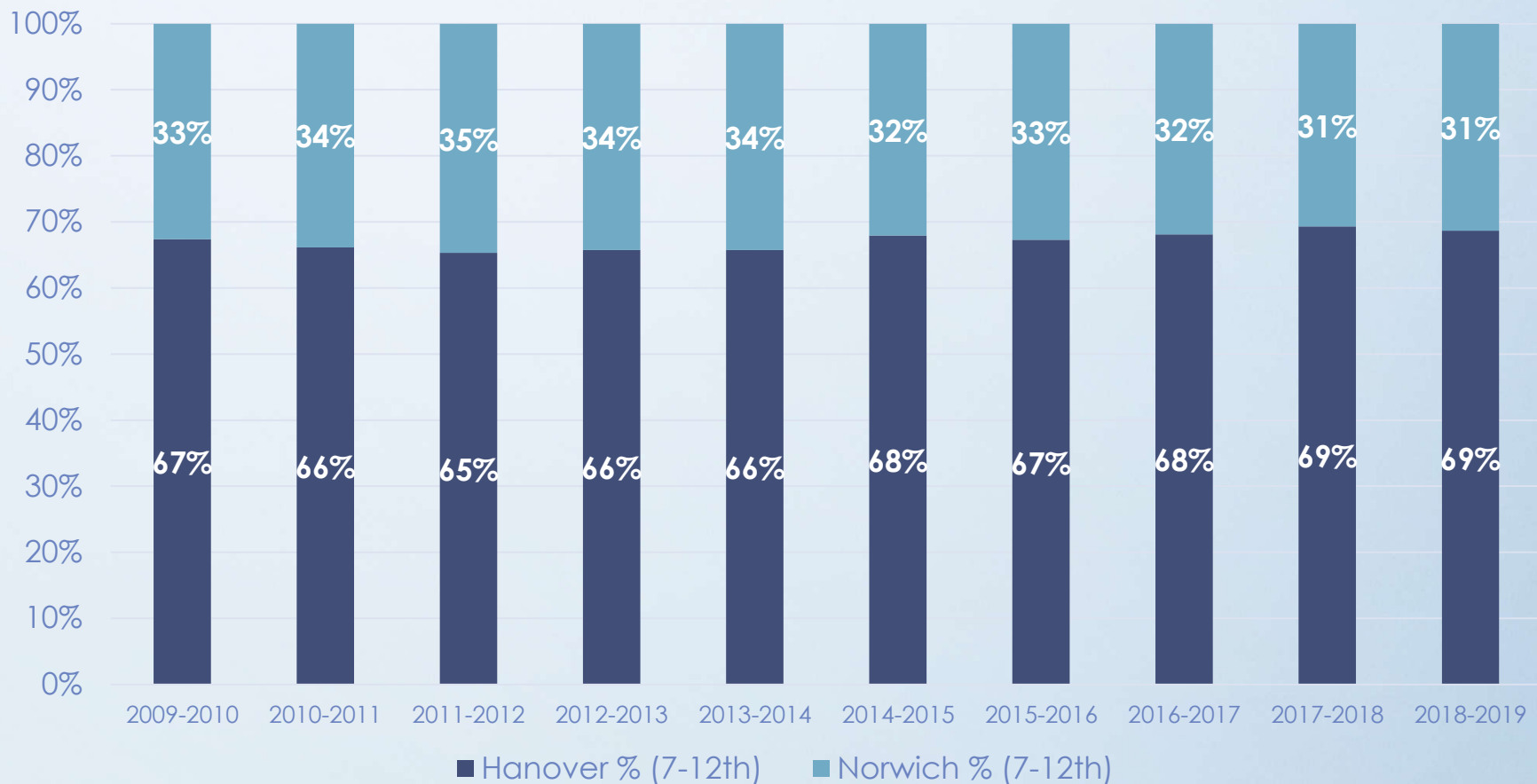


# New method: Recommended change to include Grade 6 in ADM



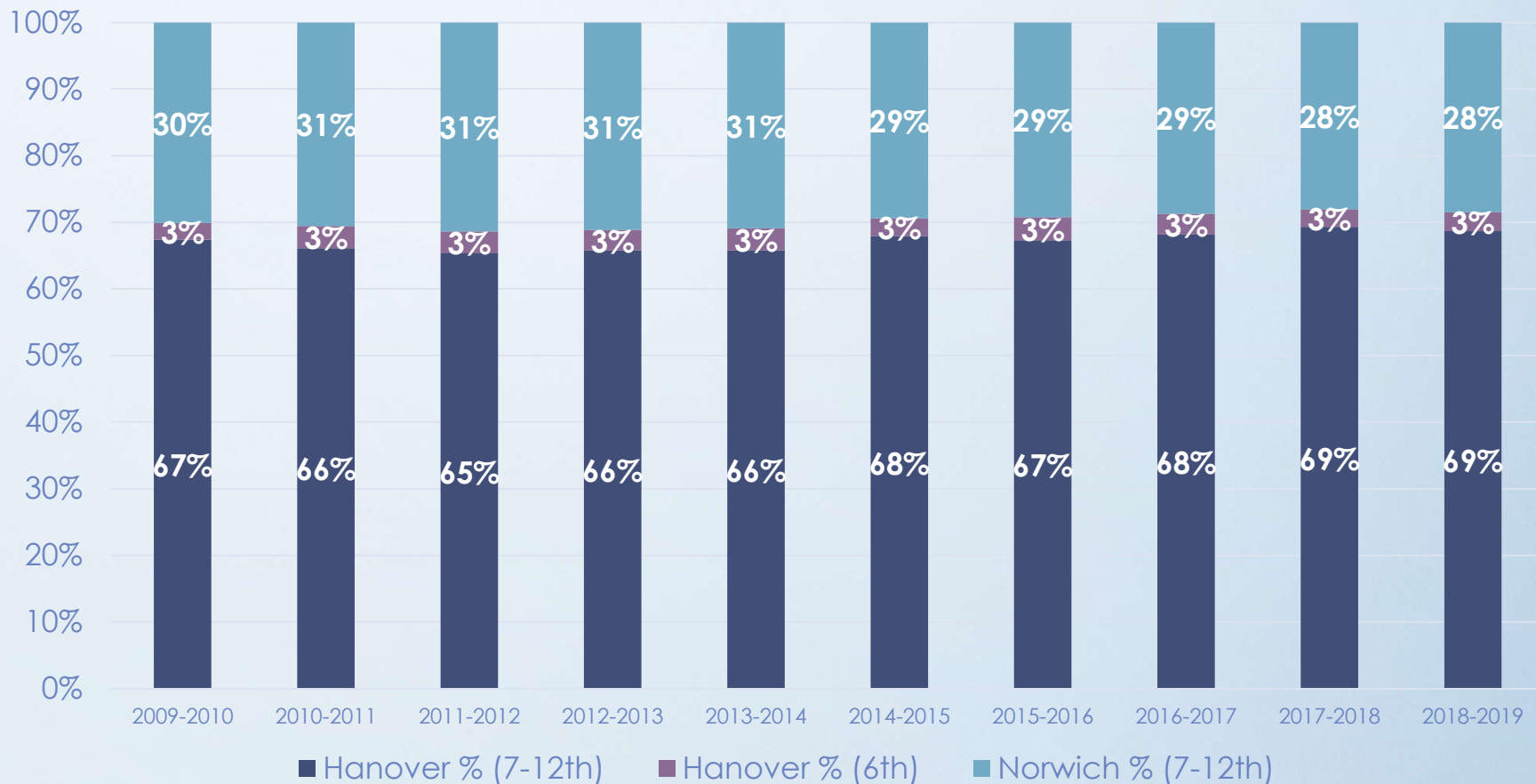
# Dresden enrollment history between Hanover and Norwich

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

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

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

**ADM formula to calculate town shares (new method):**

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

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

# 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	<b>69.9%</b>	13,721,002	570,182	145,061	<b>13,295,881</b>
2012-13	18,372,568	1,626,164	543,525	192,006	20,350,251	<b>69.4%</b>	14,127,348	543,525	144,236	<b>13,728,059</b>
2013-14	18,416,684	1,818,733	518,801	192,006	20,562,212	<b>68.6%</b>	14,109,379	518,801	142,567	<b>13,733,145</b>
2014-15	19,236,037	1,798,995	492,293	191,756	21,335,569	<b>68.8%</b>	14,683,139	492,293	142,801	<b>14,333,647</b>
2015-16	19,394,560	2,083,480	467,272	191,256	21,754,056	<b>69.1%</b>	15,029,225	467,272	142,981	<b>14,704,934</b>
2016-17	19,712,424	2,037,529	451,899	190,506	22,011,346	<b>70.6%</b>	15,539,570	451,899	145,535	<b>15,233,206</b>
2017-18	20,602,900	1,786,696	425,010	194,506	22,620,100	<b>70.8%</b>	16,009,376	425,010	148,964	<b>15,733,329</b>
2018-19	20,480,180	1,935,383	404,588	183,556	22,636,595	<b>71.3%</b>	16,131,064	404,588	141,543	<b>15,868,019</b>
2019-20	20,792,060	1,578,292	385,074	183,156	22,572,270	<b>71.9%</b>	16,239,845	385,074	142,592	<b>15,997,363</b>
2020-21	21,216,900	2,513,847	366,757	181,856	23,915,648	<b>71.5%</b>	17,108,298	366,757	140,733	<b>16,882,314</b>

Adjusted since historical net assessments included Grade 6 tuition revenue



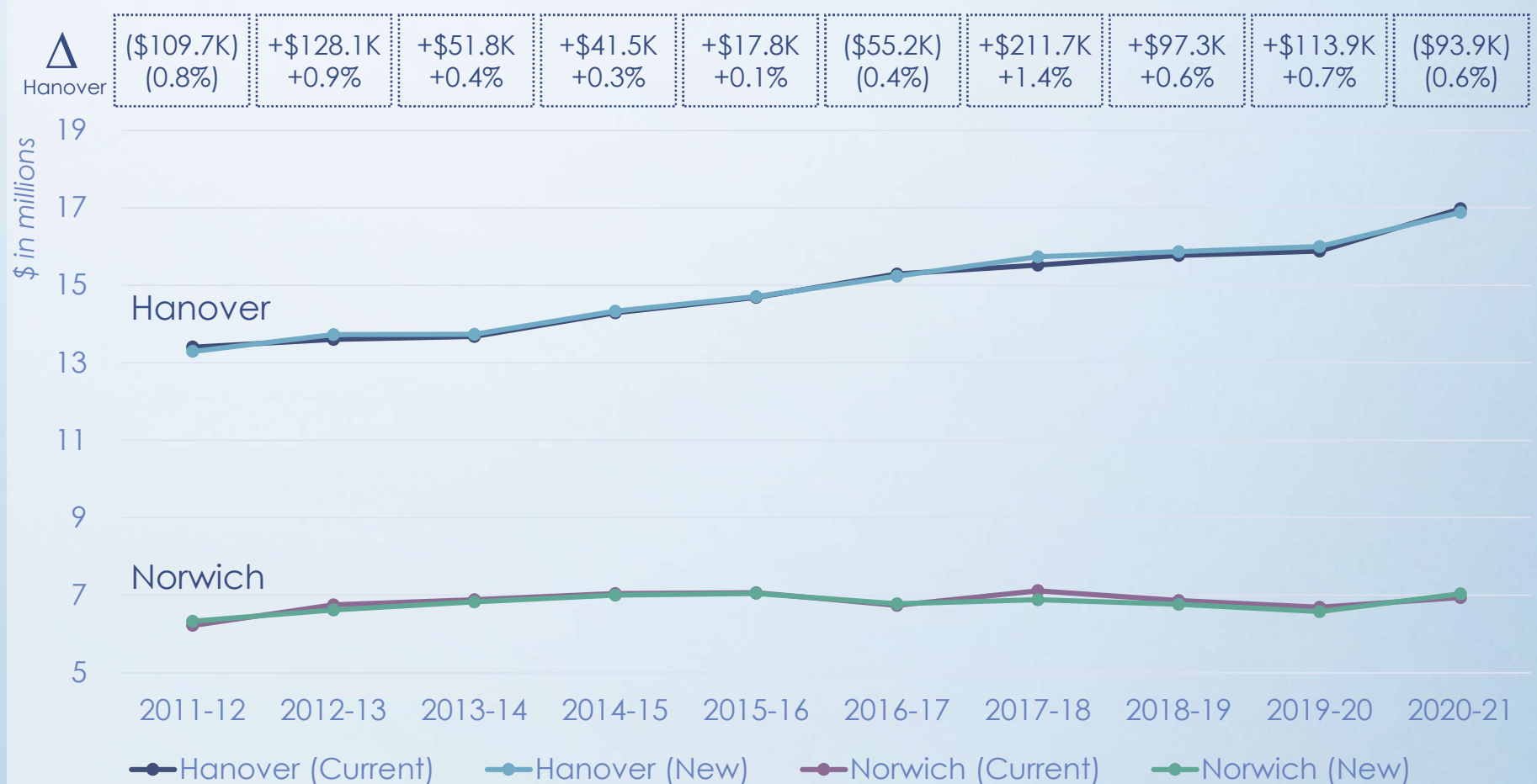
Only input that will change from regular process





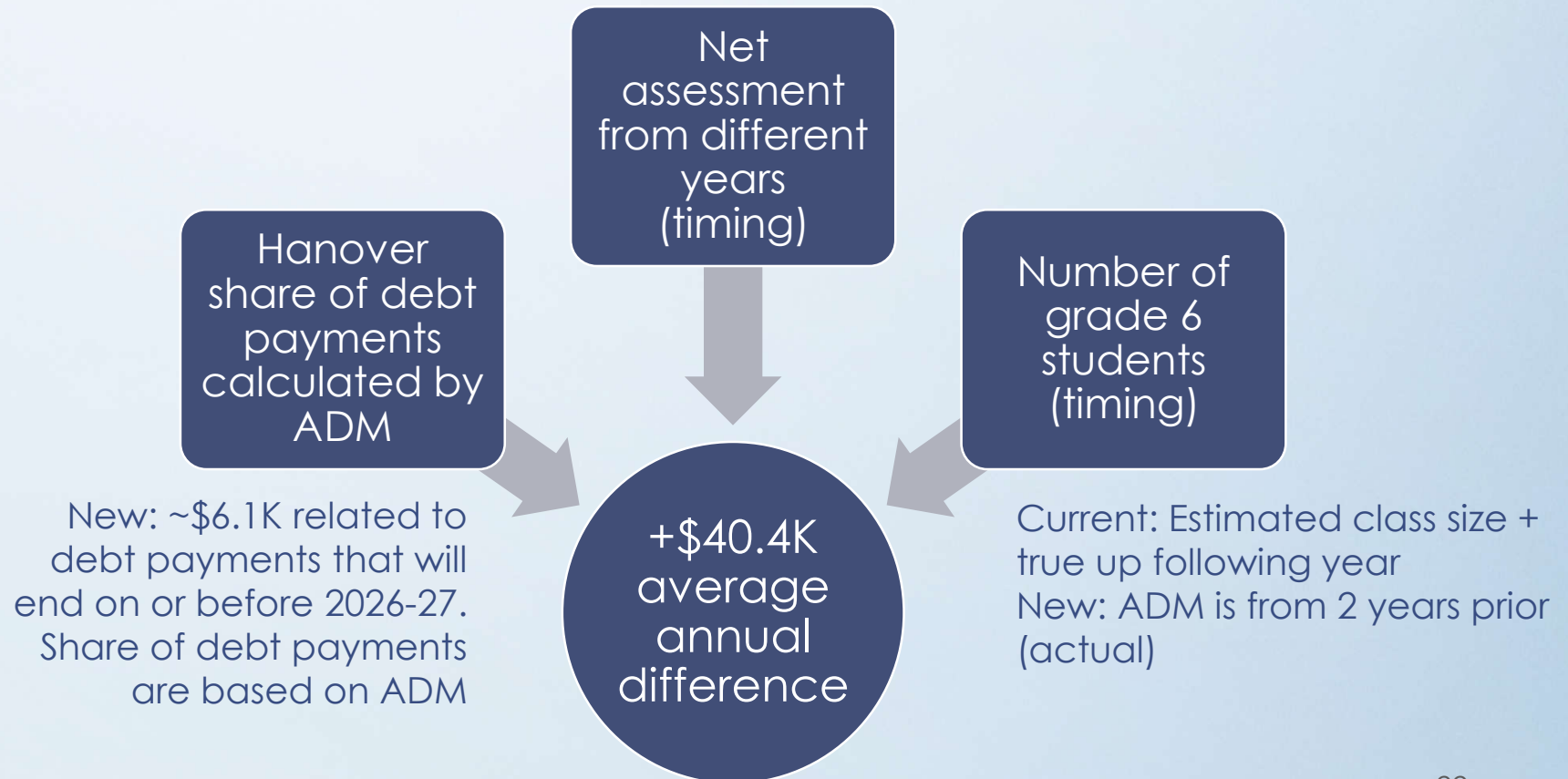
# Hanover and Norwich final share of Dresden grades 6-12 costs (current vs new)

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



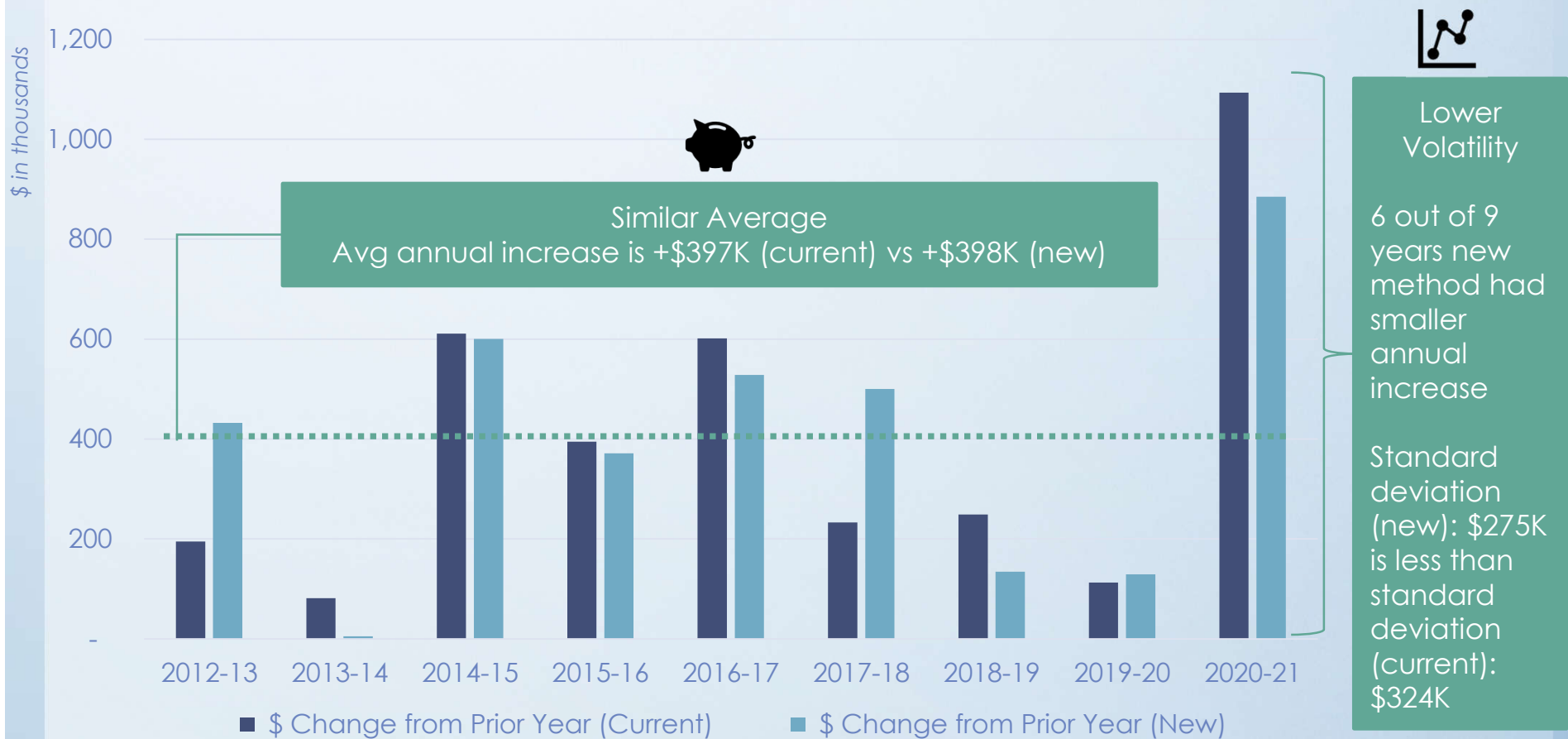
# Why there is a difference between methods

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 Norwich:** Provides a legal avenue to include 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
- **Timing for member district sixth grade enrollment is outside of Dresden control**
- **Potential lack of parity in capital outlays between member districts** should the Norwich sixth grade ever enroll at RMS and/or if future capital improvements occur for the sixth grade wing or education program
- **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



# Recommended approval process

On the ballot March 2 2021...



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*



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

If both pass, then they will take effect the following budget year (2022-23)

# Recommended Dresden proposal

## Dresden Warrant Article

### Propose Amendment to the Articles of Agreement

Shall the Dresden School District vote to amend its Articles of Agreement 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.** 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.]*

# Recommended Hanover proposal

## **Hanover Warrant Article**

Propose Designating Dresden as Exclusive Provider of Grade 6 Education

Shall the Hanover School District vote to designate the Dresden School District as the exclusive provider of sixth grade educational services to its students, effective for the 2022-2023 school year; said vote being subject to a final vote by the Dresden School District at its 2021 Annual meeting to amend its Articles of Agreement to allow for the provision of sixth grade educational services to member school districts.

Questions?



# Appendix





# Average base tuition cost per RMS pupil calculation (current method)

using actual 2019-20 budget data      20-21 Estimate      20-21 Estimate      20-21 Estimate

	Dresden Total	Dresden Dist-Wide	Richmond Middle School
Total Adopted Budget for 2019-20	26,954,023	5,132,840	7,479,325
Budget Additions:			
Budget Deletions:			
Deductions:			
Community Relations/Volunteers	(10,839)	(10,839)	0
Regular Tuition			
Spec Ed Tuition (RMS pd From Han	0		0
Voc Ed Tuition	(102,591)		
Spec Ed Transportation	(5,500)		0
Contingency	0	0	
Voc Ed Transportation	(45,250)		
Regular Transportation to HHS classes-9th			(9,500)
Debt Service - Principal	(3,536,197)	(3,536,197)	
Debt Service - Interest	0	0	
Capital Outlay	(617,615)	0	(235,925)
Stabilization fund			
Net Budget	22,636,031	1,585,804	7,233,900
Enrollment Data : as of Oct 1,2019			
High School	742	67.33%	
Elementary School	360	32.67%	
Total	1,102		
Allocation of District-Wide Expense (based on percentage of enrollment)		1,585,804	518,048
Net Costs			7,751,948
<b>Per Pupil Cost</b>			<b>RMS 21,533</b>
			for 6th grade



# Hanover Grade 6-12 costs: current vs new detail

Current Method/Status Quo - Hanover's Share of Dresden Assessment (ADM 7-12) and 6th Grade Tuition Paid											
FY	Han 7-12 ADM	Net Assessment	Plus NH Bldg Aid	Minus AFB Debt	Adjusted Assessment	Hanover			Hanover Final Share	6th Gr Tuition Paid	Total 6-12 Costs Paid by Hanover
						Preliminary Share	Less NH Bldg Aid	Plus AFB Share			
2012	67.40%	17,384,646	570,182	191,756	17,763,072	11,971,422	570,182	139,844	11,541,084	1,863,875	13,404,959
2013	66.12%	18,372,568	543,525	192,006	18,724,087	12,379,992	543,525	137,373	11,973,840	1,626,164	13,600,004
2014	65.33%	18,416,684	518,801	192,006	18,743,479	12,245,677	518,801	135,742	11,862,618	1,818,733	13,681,351
2015	65.77%	19,236,037	492,293	191,756	19,536,574	12,849,009	492,293	136,470	12,493,186	1,798,995	14,292,181
2016	65.76%	19,394,560	467,272	191,756	19,670,076	12,934,452	467,272	136,445	12,603,625	2,083,480	14,687,105
2017	67.93%	19,712,424	467,272	191,756	19,987,940	13,577,208	467,272	140,948	13,250,884	2,037,529	15,288,413
2018	67.32%	20,602,900	444,640	194,506	20,853,034	14,037,845	444,640	141,688	13,734,893	1,786,696	15,521,589
2019	68.13%	20,480,180	404,588	183,556	20,701,212	14,104,564	404,588	135,332	13,835,308	1,935,383	15,770,691
2020	69.32%	20,792,060	385,074	183,156	20,993,978	14,553,235	385,074	136,938	14,305,099	1,578,292	15,883,391
2021	68.66%	21,216,900	366,757	181,856	21,401,801	14,694,049	366,757	135,110	14,462,401	2,513,847	16,976,248

New Method/Amended Article of Agreement - Hanover's Share of Dresden Assessment (ADM 6-12)										
FY	Han 6-12 ADM	Original Assessment	Plus Forgone		Adjusted Assessment	Hanover			Hanover Final Share	
			6th Gr Tuition Revenue	Plus NH Bldg Aid		Minus AFB Debt	Preliminary Share	Less NH Bldg Aid		Plus AFB Share
2012	69.91%	17,384,646	1,863,875	570,182	191,756	19,626,947	13,721,002	570,182	145,061	13,295,881
2013	69.42%	18,372,568	1,626,164	543,525	192,006	20,350,251	14,127,348	543,525	144,236	13,728,059
2014	68.62%	18,416,684	1,818,733	518,801	192,006	20,562,212	14,109,379	518,801	142,567	13,733,145
2015	68.82%	19,236,037	1,798,995	492,293	191,756	21,335,569	14,683,139	492,293	142,801	14,333,647
2016	69.09%	19,394,560	2,083,480	467,272	191,256	21,754,056	15,029,225	467,272	142,981	14,704,934
2017	70.60%	19,712,424	2,037,529	451,899	190,506	22,011,346	15,539,570	451,899	145,535	15,233,206
2018	70.78%	20,602,900	1,786,696	425,010	194,506	22,620,100	16,009,376	425,010	148,964	15,733,329
2019	71.26%	20,480,180	1,935,383	404,588	183,556	22,636,595	16,131,064	404,588	141,543	15,868,019
2020	71.95%	20,792,060	1,578,292	385,074	183,156	22,572,270	16,239,845	385,074	142,592	15,997,363
2021	71.54%	21,216,900	2,513,847	366,757	181,856	23,915,648	17,108,298	366,757	140,773	16,882,314

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

## Hanover Final Share (Grade 6-12)

Budget Year	Chg from Prior Year \$ (Current)	Chg from Prior Year % (Current)	Chg from Prior Year \$ (New)	Chg from Prior Year % (New)
2012-13	+\$195,045	+1.5%	+\$432,896	3.3%
2013-14	+\$81,347	+0.6%	+\$5,086	0.0%
2014-15	+\$610,830	+4.5%	+\$600,501	4.4%
2015-16	+\$394,924	+2.8%	+\$371,287	2.6%
2016-17	+\$601,308	+4.1%	+\$528,273	3.6%
2017-18	+\$233,176	+1.5%	+\$500,123	3.3%
2018-19	+\$249,102	+1.6%	+\$134,689	0.9%
2019-20	+\$112,701	+0.7%	+\$129,345	0.8%
2020-21	+\$1,092,857	+6.9%	+\$884,951	5.5%
<b>Average</b>	<b>+\$396,810</b>	<b>+2.7%</b>	<b>+\$398,493</b>	<b>+2.7%</b>
<b>Std Deviation (Volatility)</b>	<b>+\$324,354</b>	<b>+2.1%</b>	<b>+\$274,613</b>	<b>+1.8%</b>

# Projected Dresden enrollment: current vs new detail

	<u>Oct. 1, 2019 (19-20) Actual</u>			<u>Oct. 1, 2020 (20-21) Actual</u>			<u>21-22 Projected</u>		<u>22-23 Projected</u>	
	<u>Han</u>	<u>Norw</u>	<u>Tuit</u>	<u>Han</u>	<u>Norw</u>	<u>Tuit</u>	<u>Han</u>	<u>Norw</u>	<u>Han</u>	<u>Norw</u>
<b>HHS</b>										
Grade 12	103	51	35	99	40	34	103	48	96	48
Grade 11	96	34	30	103	48	45	96	48	85	45
Grade 10	117	49	46	96	48	22	85	45	88	49
Grade 9	107	47	27	85	45	38	88	49	75	55
<b>RMS</b>										
Grade 8	88	50	2	88	49	3	75	55	86	38
Grade 7	89	53	2	75	55	1	86	38	74	43
Grade 6	76			86		1	74		88	
<b>Totals 7-12</b>	600	284		546	285		533	283	504	278
<b>% split 7-12</b>	67.9%	32.1%	100.0%	65.7%	34.3%	100.0%	65.3%	34.7%	64.5%	35.5%
<b>Totals 6-12</b>	676	284		632	285		607	283	592	278
<b>% split 6-12</b>	70.4%	29.6%	100.0%	68.9%	31.1%	100.0%	68.2%	31.8%	68.0%	0.31954
<b>Difference</b>	<b>2.54%</b>	<b>-2.54%</b>		<b>3.22%</b>	<b>-3.22%</b>		<b>2.88%</b>	<b>-2.88%</b>	<b>3.60%</b>	<b>-3.60%</b>
<b>Ratified 7-12</b>	67.1%	32.9%	100.0%	Ratification - Dec 2021			Ratification - Dec 2022		Ratification - Dec 2023	
	<b>Used for 21-22 Budget</b>			<b>Used for 22-23 Budget</b>			<b>Used for 23-24 Budget</b>		<b>Used for 24-25 Budget</b>	

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.

## Leading alternatives deliberated

- Amend tuition agreement to have tuition equal the share of sixth grade as part of ADM
  - Could help reduce volatility, but does not remove the inter-district payment so would still have swings in each budget due to size of sixth grade, continuing communication challenges
- Rolling average
  - Do not use method anywhere else
  - More complicated than recommendation
  - Difficult to determine average duration (3 vs 5 years, etc.) – depends on where one begins