

HANOVER FINANCE COMMITTEE

Statement on Dresden School District Warrant Articles for FY2019-20

During a public meeting on January 24, 2019, the Hanover Finance Committee¹ voted unanimously to support the proposed FY20 Dresden School District Budget of \$26,817,372 in Article 6. The proposed budget will increase spending by 1.24%, resulting in a 3.41% increase in net assessment to Hanover and a -2.37% decrease in net assessment to Norwich, based on student enrollment. The Committee also voted unanimously to support Article 2 for a bond in an amount up to \$900,000 and Article 4 to approve cost items in the new contract with the Hanover Education Association.

The Dresden Board was attentive to the needs of the taxpayers as well as to school administration and educational quality. More than half of Hanover's increase is accounted for by the relative increase in students from Hanover as compared with Norwich. The Committee appreciates that administrators are aware of the fiscal benefits of tuition from out-of-district students and considers their needs in their planning. That said, the Committee believes that the budget process could be improved if the Board and the administration started with a tax-rate goal or "corridor." This does not need to be a mental strait-jacket, but it does remind participants in the process of overall budget constraints.

In Article 2, the Dresden Board is responding to an imminent structural breach of the drainage system beneath Hanover High School's turf field and the need to replace the thirteen-year-old athletic turf carpet as well as update the surrounding area by proposing up to \$900,000 in bonds and/or notes. The Board will endeavor to secure competitive financing at a fixed low-interest rate, expeditiously complete the construction project, pay off the loan within a few years to minimize interest paid, make no payment in FY20, and structure future payments to equal the amount of current debt payments as they are retired—a method that will minimize fluctuations in this part of the budget.

The three-year collective bargaining agreement between the Board and the Hanover Education Association, NEA-NH, would increase the status quo budgets by \$101,814 in FY20, \$285,069 in FY21, and \$285,528 in FY22. This includes a 2% increase "on the base" each year for all staff and one "step" per year for staff who are not at the top of their "track" on the salary schedule. This agreement also includes a switch to a new medical insurance provider, resulting in lower premiums paid by the District. This reduction creates a noticeable offset to the increase in salaries in the first year of the contract. In years two and three, staff contributions towards the premiums will increase by 1% to 8% and then 9%. The Board calculates that total compensation (salary and benefits) will increase an average of 2.69% per year. (Inflation ran at 2.2% in 2018 as measured by the NE Regional CPI.)

Looking forward, the Committee believes that all town boards should be mindful of the local impact of the Federal "Tax Cuts and Jobs Act" (TCJA) that came into effect in 2018. It is clear that many taxpayers in high-income, high-property tax locales like Hanover and Norwich will be affected. The TCJA limits state and local tax deductions to a maximum of \$10,000, and it generally discourages itemizing by increasing the standard deduction for all taxpayers. For many property-tax payers, local increases will no longer be cushioned by the Federal income tax deduction.

¹ Members of the Finance Committee are Kari Asmus, William A. Fischel, Michael Gonnerman, Mary Hakken-Phillips, Jeffrey N. Ives, Carey Callaghan (Hanover School Board), and William V. Geraghty (Hanover Selectboard).