

## HANOVER FINANCE COMMITTEE

### **Statement on the Proposed Hanover School District Budget for FY 2025-26**

The Hanover Finance Committee (HFC) is an appointed Town Committee composed of Hanover residents<sup>1</sup>. HFC is charged with reviewing the Town's financial matters and providing guidance to Town officials, the Hanover School Board (HSB) and Town residents.

**During a public meeting on January 16, 2025, HFC voted unanimously to support the proposed FY26 Hanover School Budget of \$16,199,859, (Article 6), and the collective bargaining agreements with both the Hanover Support Staff (Article 4) and the Hanover-Dresden Service Staff (Article 5). After all costs from all articles are factored in, the Hanover budget expenditures will increase by \$821,047 or 5.22%.**

**After factoring in local revenues, which are \$214,354 or 16.79% greater than FY25 due primarily to increases in state sources and adjusting this by a decrease in projected balance carryforward of (\$192,456 net of W.A. #7 offset), the Hanover District assessment is expected to increase \$799,149 (6.25%). When combined with the increase in the Dresden assessment and if all the warrant articles in Hanover and Dresden were to pass, and if all of the assumptions of valuation and local tax calculations hold true, then the total school tax rate would increase by \$.50 to \$12.11 per \$1,000 of property value or by 4.30%.**

The proposed increase in FY26 expenditures results primarily from increases of \$532,385 (3.84%) associated with the direct operating program offered to students in grade K-5 at the Ray School due to a 4% on teacher's base as per contract, \$232,900 (22.75%) in special education costs and a 12.5% increase in employee health insurance rates. Cost reductions in this year's budget included \$105,250 in the area of site and building improvements and \$16,265 in debt service.

Looking forward, an anticipated step-up in capital spending stemming from both the strategic planning and capital improvement programs will likely drive cost pressures in the coming years. Together with ongoing healthcare and personnel cost pressures, the HFC foresees the need for continued careful evaluation of staffing levels, which was commendably demonstrated this year, and incremental initiatives during a multi-year period when enrollment is expected to be flattish to down slightly.

**HFC commends the efforts of administrators, faculty and staff in our district's pursuit of educational excellence.**

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<sup>1</sup> Members are John Dolan, Rich Greger, Greg Snyder, Antonia Barry (Hanover School Board) and Carey Callaghan (Hanover Selectboard).

### **Comments on Collective Bargaining Agreements**

The three-year collective bargaining agreement between the Board and the Hanover Support Staff Association (Article 4) would increase the status quo budgets by \$155,888 in FY26, \$80,589 in FY27, and \$88,104 in FY28. This includes a 10% increase “on the base” in the first year, followed by 4.5% in years two and three. Additionally, prior year hires may now be eligible for placement on a higher pay scale step to reflect prior comparable experience – credit for which had been capped under the old contract. Taken together, the pay increases and the contract language change on steps are efforts to both attract and retain qualified paraprofessionals. They address an endemic issue that has hampered our ability to fill vacancies in regular and special education assistant positions. Accordingly, the HFC supports this agreement while noting that the high level of such increases could, and perhaps should, be viewed as one-time adjustments to reflect workforce market realities.

The one-year collective bargaining agreement between the Board and the Hanover-Dresden Service Staff Association AFSCME (Article 3) would increase the status quo budget by \$21,089 in FY26. This includes a 4% increase on base pay, an increase in the night shift differential from \$0.70/hr to \$1.00/hr, and an increase in the longevity payment by \$200/ year for each level. For context, these increases are intended to help the district fill more than a half dozen open custodial positions with local hires, paring back use of outsourced services. The HFC supports this agreement.

## **HFC “BY THE NUMBERS”:**

### **DETAILED REVIEW OF HANOVER SCHOOL DISTRICT FY 26 BUDGET AND TAX RATE**

As shown in the table below, including all expenditures proposed in the four warrant articles referenced above the Hanover School District's FY26 budget totals \$16,384,793, an increase of \$644,070 (4.09%) over FY25. (*N.B.: The budget does not include any wage or step increases for the district's support or service/custodial staff. Such wage and step increases are proposed separately under Warrant Articles 4 and 5 and, if these articles pass, would add \$180,061 to the FY26 budget total. These articles are discussed further below.*)

<b>Appropriation</b>	<b>FY25 (Approved)</b>	<b>FY26 (Proposed)</b>	<b>FY25 to FY26 Increase</b>	<b>FY25 to FY26 % Increase</b>
Direct Budget (Article 6)		\$16,199,859		
Officers' Stipends (Article 3)		\$9,934		
Bridgman Trust (Article 2)		\$75,000		
School Buildings Maintenance (Article 7)		\$100,000		
<b>Total Budget</b>	<b>\$15,740,723</b>	<b>\$16,384,793</b>	<b>\$644,070</b>	<b>4.09%</b>

The proposed increase in FY26 expenditures results primarily from increases of \$532,385 (3.84%) in Ray School Operating Expense and of \$232,900 (22.75%) in Special Education Operating Expense. The increase in Ray School Operating Expense is mainly due to: a 4% base salary increase for teachers; 2.0% to 2.5% salary increases for non-union employees; a 12.5% increase in employee health insurance rates; and a 9.7% increase in SAU superintendent service and student transportation service expenditures. The increase in Special Education Operating Expense is driven by a 24% increase in K-12 Special Education Tuition expenditures. As shown in the following table, these combined increases of \$765,285 will be offset by a combined decrease of \$121,515 in Site & Building Improvement and Debt Service expenditures.

<b>Expenditure</b>	<b>FY25 (Approved)</b>	<b>FY26 (Proposed)</b>	<b>FY25 to FY26 Increase</b>	<b>FY25 to FY26 % Increase</b>
Ray School Operating Expense	\$13,863,729	\$14,396,114	\$532,385	3.84%
Special Education Operating Expense	\$1,023,700	\$1,256,600	\$232,900	22.75%
Site & Building Improvements	\$257,500	\$152,250	(\$105,250)	-40.87%
Debt Service	\$406,694	\$390,429	(\$16,265)	-4.00%
Interfund Transfers Out	\$189,100	\$189,400	\$300	0.16%
<b>Total Budget</b>	<b>\$15,740,723</b>	<b>\$16,384,793</b>	<b>\$644,070</b>	<b>4.09%</b>

The district's revenues are expected to increase in FY26 by \$214,354 (16.79%). However, its starting fund balance is expected to be \$292,456 (-17.28%) less than it was in FY25. Revenue from all sources will be virtually flat, increasing by only \$21,898 (0.74%). The district's net assessment therefore will have to increase by \$622,172

(4.87%) to accommodate the proposed increase in spending resulting from Articles 2, 3, 6, and 7, as shown in the next table.

Revenue Source	FY25 (Approved)	FY26 (Proposed)	FY25 to FY26 Increase	FY25 to FY26 % Increase
Starting Fund Balance	\$1,692,456	\$1,400,000	(\$292,456)	-17.28%
WA Offset		\$100,000		
Revenues from Local and State Sources and Bridgman Fund	\$1,276,765	\$1,491,119	\$214,354	16.79%
<b>Total Revenues and Fund Balance</b>	<b>\$2,969,221</b>	<b>\$2,991,119</b>	<b>\$21,898</b>	<b>0.74%</b>
<b>Net Assessment</b> (Total Budget minus Total Revenues and Fund Balance)	<b>\$12,771,502</b>	<b>\$13,393,674</b>	<b>\$622,172</b>	<b>4.87%</b>

At the meeting on January 16, 2025, HFC also voted unanimously to support two new collective bargaining agreements with support staff (Article 4 at an additional cost of \$155,888) and with service staff (Article 5 at an additional cost of \$21,089).

If passed, Articles 4 and 5 will increase the FY26 Hanover School Budget by \$176,977. As shown below, the budget then would total \$16,561,770, an increase of \$821,047 (5.22%) over FY25.

Appropriation(s)	FY25 (Approved)	FY26 (Proposed)	FY25 to FY26 Increase	FY25 to FY26 % Increase
<b>Primary Budget (Articles 6, 3, 2, and 7)</b>		<b>\$16,384,793</b>		
<b>Support Staff Salaries and Benefits Increase (Article 4)</b>		<b>\$155,888</b>		
<b>Service Staff Salaries and Benefits Increase (Article 5)</b>		<b>\$21,089</b>		
<b>Total Budget</b>	<b>\$15,740,723</b>	<b>\$16,561,770</b>	<b>\$821,047</b>	<b>5.22%</b>

The spending increases resulting from the collective bargaining agreements (Articles 4 and 5) would not be offset by additional revenue. The district's net assessment therefore would have to increase by \$799,149 (6.26%) over FY25 to accommodate all spending increases resulting from Articles 2, 3, 4, 5, 6, and 7, as shown in the next table.

Revenue Source	FY25 (Approved)	FY26 (Proposed)	FY25 to FY26 Increase	FY25 to FY26 % Increase
Starting Fund Balance	\$1,692,456	\$1,400,000	(\$292,456)	-17.28%
WA Offset		\$100,000		
Revenues from Local and State Sources and Bridgman Fund	\$1,276,765	\$1,491,119	\$214,354	16.79%
<b>Total Revenues and Fund Balance</b>	<b>\$2,969,221</b>	<b>\$2,991,119</b>	<b>\$21,898</b>	<b>0.74%</b>
<b>Net Assessment</b> (Total Budget minus Total Revenues and Fund Balance)	<b>\$12,771,502</b>	<b>\$13,570,651</b>	<b>\$799,149</b>	<b>6.26%</b>

## COMMENTS ON TOTAL SCHOOL TAX RATE

Calculation of the total school tax rate for Hanover taxpayers is based on the district's net assessment of \$13,393,674 plus an additional assessment the district pays to the Dresden District for the operation of Richmond Middle and Hanover High Schools. For FY26, this additional assessment is expected to be \$19,211,034. As shown in the following table, these base assessments total \$32,604,708, an increase of \$884,631 (2.79%) over FY25.

<b>Tax Assessment Component</b>	<b>FY25 (Approved)</b>	<b>FY26 (Proposed)</b>	<b>FY25 to FY26 Increase</b>	<b>FY25 to FY26 % Increase</b>
Hanover District Base Assessment (for FY26 Articles 2, 3, 6, and 7)	\$12,771,502	\$13,393,674	\$622,172	4.87%
Dresden District Base Assessment	\$18,948,575	\$19,211,034	\$262,459	1.39%
<b>Subtotal Base Assessment</b>	<b>\$31,720,077</b>	<b>\$32,604,708</b>	<b>\$884,631</b>	<b>2.79%</b>
Proposed Hanover Assessment Additions (for FY26 Collective Bargaining Agreements/Articles 4 and 5)		\$176,977		
Proposed Dresden Assessment Additions (for FY26 Collective Bargaining Agreements and Proposed RMS Sports Program)		\$366,728		
<b>Subtotal Assessment Additions</b>		<b>\$543,705</b>		
Hanover Base Assessment + Additions	\$12,771,502	\$13,570,651	\$799,149	6.26%
Dresden Base Assessment + Additions	\$18,948,575	\$19,577,762	\$629,187	3.32%
<b>Total Base Assessment + Additions</b>	<b>\$31,720,077</b>	<b>\$33,148,413</b>	<b>\$1,428,336</b>	<b>4.50%</b>
<b>Tax Rate Component</b>	<b>FY25 (Approved)</b>	<b>FY26 (Proposed)</b>	<b>FY25 to FY26 Increase</b>	<b>FY25 to FY26 % Increase</b>
Tax Rate on Combined Base Assessments	\$11.61	\$11.90	\$0.29	2.50%
Tax Rate on FY26 Hanover Assessment Additions		\$0.07		
Tax Rate on FY26 Dresden Assessment Additions		\$0.14		
<b>Total Estimated Tax Rate</b>	<b>\$11.61</b>	<b>\$12.11</b>	<b>\$0.50</b>	<b>4.30%</b>

Factoring in the two collective bargaining agreements discussed above, in FY26 the Hanover District may have to add \$176,977 to its base assessment to cover increased costs resulting from new collective bargaining agreements (Articles 4 and 5). The Dresden District also may have to add \$326,728 to cover its increased costs from these agreements and a proposed middle school sports program. These additions would increase the total assessment for Hanover taxpayers to \$33,148,413, an increase of \$1,428,336 (4.50%) over FY25. As shown in the preceding table, to pay for this spending increase Hanover taxpayers' total school tax rate would grow by 4.3% over FY25 to \$12.11 per \$1,000 of property value. (*N.B.: This assumes that all warrant articles for both the Hanover and Dresden Districts pass, and that the Hanover District's current state and school tax rate calculations hold true.*)