

HPS Community Message Regarding the School Department Budget March 27, 2023

Dear HPS Families and Staff,

We are writing to share information about the current status of the School Department budget, and the financial outlook for the year ahead. As we continue to move forward from COVID, the ongoing challenges of that time are evident daily in our schools. The increase in student services needs, rising transportation costs, staffing and workforce shortages, and inflation is affecting our ability to adequately fund our schools. As the value of our available funding continues to level off or drop, non-discretionary service demands are increasing at an unprecedented rate. Over the next few years, our schools will need a strategic funding plan to maintain the level of academic programming and student services that we all expect and require to continuously improve.

Closing the current funding gap in the current school year (FY23)

Our current operating budget (FY23) is trending toward a significant deficit in multiple cost centers related to student services and transportation. For the past several years, the School Department managed overruns in these areas using reserve funds (specifically, the Special Education Reserve Fund that is funded each year via an article at the annual Town Meeting). This year, our expenses and projected costs for the remainder of the year will exceed our available funding by over \$600,000. We are working with the Town Manager and Advisory Committee on solutions. Last Wednesday (March 22), the School Committee voted to endorse an article at the Special Town Meeting on Monday, May 1st for \$650,000 using available free cash to close this FY23 deficit. Successfully closing FY23 is a critical step in our planning for FY24 and beyond.

Outlook for the 2023-2024 School Year (FY24)

For the past several months, the School Committee and district administration have been working to create an operating budget for FY24 that maintains all of the programs, staff, and activities that we currently offer this year. Our goal is to secure a “level services” budget. *As we write this, we have been unable to create a budget plan that meets level services with the projected funding available for next year.* The annual budget cycle requires the partnership between the Town Manager, the Select Board, the Advisory Committee, and the School Committee. At this time, we have been presented with the Town Manager’s FY24 budget

allocation for the School Department. Although the Town Manager’s budget submission is a good faith effort to provide the funding necessary to maintain level services for FY24, the funding level in the proposed budget is approximately \$1,588,745 less than required for FY24 based on increasing service needs. While we anticipate some non-sustainable offsets that will assist in reducing this funding gap (including ARPA and Free Cash), we still must work with the Advisory Committee and Town Manager to identify an additional \$612,253 to balance the FY24 budget.

Due to conservative budgeting over the past several years, the District is unable to absorb funding or personnel cuts without impacting student and staff services. Without bridging this funding gap, the School Department will not be able to maintain a level service budget.

How can you learn more and support the HPS

You can review [an earlier presentation](#) from the School Committee that was shared with the Advisory Committee on March 1st and at the School Committee meeting on March 8th. The School Committee is meeting with the Advisory Committee this Wednesday, March 29th at 6:30 PM in the Town Hall Meeting Room. It will also be broadcast on Zoom. Immediately prior to that meeting, the School Committee is holding a public forum on the budget in the Town Hall Meeting Room (also on Zoom) to review and discuss the current FY24 budget projections and to identify possible solutions to assist with closing this deficit. These options may be presented to the Advisory Committee and Town Meeting.

IMPORTANT DATES	
Wednesday, March 29th 6:30 pm - Town Hall Meeting Room	Advisory Committee Meeting with the School Committee (Zoom link).
Wednesday, March 29th 5:00 pm - Town Hall Meeting Room (Prior to Advisory Committee meeting)	School Committee Public Forum to discuss the current FY23 budget deficit and FY24 budget projections (Zoom link).
Monday, May 1st 6:30 pm - Town Meeting Hanover High School (287 Cedar Street)	Support the School Department Special Town Meeting Warrant Article (FY23), the School Department Operating Budget for FY24, the SPED Reserve Article, and other Warrant Articles related to education in Hanover.

Frequently Asked Questions

When and how does the School Department plan and prepare a budget for the upcoming school year?

When planning the next fiscal year's budget, the School Committee and Administration begin in November by identifying priorities and projecting costs for the following school year. For instance, our initial strategy for FY24 (back in November) included funding to support no-fee full day Kindergarten and sought to increase the number of reading teachers in the District. At this time, those plans have been changed as we learn more about our expected expenses for next year. We work with the Town Manager and his team to determine the available funding required to maintain all essential services and to support areas of improvement and growth. The Town Manager works to provide the necessary funding for the School Department and all other municipal departments and services. At the end of January, he puts forward a recommended budget to the Select Board and then to the Advisory Committee. The Advisory Committee reviews the budgets submitted by all Town Departments, including the School Department. Meetings are scheduled with each Department to gather information and ask questions. The Advisory Committee makes recommendations for funding adjustments if necessary. The Advisory Committee also provides commentary on whether or not to support the multiple articles that are presented at the annual Town Meeting. Town Meeting then votes whether to accept (or in some cases modify) the overall operating budget for all departments along with all other warrant articles.

Why is there a budget deficit this year?

There are several factors that contributed to the deficit in FY23.

- The School Department budget is very lean. We endeavor to work with the Town to keep increases within Town budget parameters. This, however, means that our budget has no ability to absorb unanticipated costs. While we maximize all of our resources, our operations are lean and we have no ability to make service or staff cuts without impacting student services.
- We have had an increased demand for non-discretionary student services combined with unprecedented increases in expenses for related items such as transportation. The amount of new students requiring IEP services has increased from a typical 11 or 12 per year to over 50 in FY23 and climbing. Our out-of-district placements have increased nearly 100% since before COVID, and we are experiencing rising mental health and behavioral issues that are contributing to this need for services. Our private transportation costs have skyrocketed and are approaching \$500,000 more than last year. Additionally, the MA Operational Services Division announced a 14% tuition

increase for all private schools that provide both day school and residential services for students requiring out-of-district educational settings. This tuition increase alone is approximately \$350,000 for FY24.

Why wasn't this increase part of the original budget figure that was published in January?

Our budget process begins in November, and we do our best to estimate expenses and predict revenue for the following year (when less than 30% of the current school year has passed). The most important part of our mission – educating children – is unpredictable and student needs are fluid. The needs of our staff (and staffing requirements) are also changing. In the years following COVID, we have seen a spike in mandated services, including more out-of-district tuitions and placements that are attributable to the mental health needs of our students. This changing landscape has resulted in an unusual amount of unpredictability and volatility in the FY23 budget.

Why can't you make cuts instead of increasing the budget?

The adjusted budget projection that we are presenting to the Advisory Committee is calculated to maintain a level service budget. Cutting the budget means we are unable to fund our schools at a level service threshold, and it will impact the services we are able to provide for our students. We are already trailing comparable districts in school funding. Even after controlling for operational and benefit costs, Hanover's FY21 budget was more than \$4,000,000 below the DART average in-district spending (DART districts are school districts identified by the State as being comparable to Hanover), more than \$3,000,000 below the average State spending, and more than \$850,000 below the neighbor average in-district spending. In fact, Hanover is in the bottom 1/3 of our DART districts and 1/2 of our neighbor districts in FY21 average per pupil spending. Unfortunately, in the numbers for FY22 which were just released by DESE, Hanover remains in the bottom 1/3 of our 10 neighbor districts, has dropped to second from last of the 10 DART districts and has dropped even further below the State average per pupil spending (FY22 was a difference of \$1,262.57 and FY23 is a difference of \$1,382.39 per pupil). Any budget reductions will result in Hanover falling further behind in educational funding. While budget decisions ultimately rest with Town Meeting voters, recommending a budget that cuts student services is not in the best interest of our students and cannot be supported by the School Committee or Administration.

Can you use your SPED Reserve Article (SRA) to offset your operating budget?

For the past several years, the Town has funded a SRA to provide a "cushion" to the School Department budget to cover any special education costs that were unknown prior to submitting a budget. Applying the SRA to our operating budget is not ideal for several reasons.

- It depletes the amount of reserve the District has for any unanticipated special education costs (i.e. if student services change, if enrollment increases). If we deplete that reserve and have any unbudgeted costs during the FY24 school year, we will be

operating in a deficit (this is the challenge we are facing in this fiscal year – FY23). It is funding to close a growing deficit, not a sustainable budget.

- Increasing the SRA, rather than increasing our operational budget, means that our overall budget allocation remains artificially low and does not reflect our actual costs of operation for the schools. This results in a significant gap between the actual cost of operating the District (how much the school spends) and what is put forward at Town Meeting as our budget (how much the Town funds).
- Hanover is below the State average, the average of neighboring districts, and the DART average for per pupil spending. Hanover can only make sustainable progress in closing the funding gap by adequately increasing the operational budget over time. Using non-sustainable funding sources like SRA, ARPA, and Free Cash meet a temporary need, but it does not support a long-term and sustainable budget.

We invite you to bring any additional questions to the Hanover School Committee Budget Forum on March 29th at 5:00 pm in the Town Hall Meeting Room, or to reach out to School Committee Chair, Libby Corbo with any questions. Libby can be reached at libcorbo@hanoverschools.org.