

## **No. 2: 2021 Property Taxes - ConVal School District**

In previous District Financial articles, we've provided information about how the school budget is developed and how the District Assessment is used to calculate the "local education" portion of property taxes in the nine towns in the District. We also explained the concept of unreserved fund balance.

This article will cover similar ground but will walk you through the tax calculation from the other direction (start with the property tax rates rather than with the approved budget). We'll also explain how the unprecedented "return" of over \$4 million to the towns in the District resulted in a reduction of your recent property tax bill.

### **FY21 Funds "Returned" -**

In June of this year, ConVal announced that an estimated \$3.2 million in unspent funds from FY21 would be "returned" to the towns in the district. That amount was recently increased to almost \$4.1 million.

The savings were the result of two key factors:

- Action taken by the School Board and the Administration to reduce and control costs almost immediately after the declaration of emergency by Governor Sununu in March 2020.
- Transfer of a significant amount of Covid related costs to state/federal funded programs.

These savings were "returned" in two steps.

- In June, we reduced monthly payments due from the towns for a period of several months
- In November when your property tax rates were approved by the states, the reduction was more personal for our taxpayers – your bill was lower than it would have been otherwise.

This level of savings was unprecedented and is very unlikely to happen again.

### **2021 Property Tax Bills**

Each of the nine towns in the ConVal school district issues two tax bills every year. In July, the preliminary tax bill is issued and in December the final tax bill is issued. Both property tax bills are calculated by applying the approved tax rates to the assessed value of your property.

The local education portion of both bills is based on the then current (and recently approved) school budget. The preliminary tax bill is based on the previous year tax rates whereas the final December bill includes adjustments based on audited financial statements from the previous year. One of these adjustments is the fund balance (more on that below). Table 1 shows the approved tax rates for the past two years. "Local Education" is the ConVal School District tax rate.

Your tax bill uses these tax rates and the current assessed value of your home. The tax rates are expressed in \$ per thousand of assessed value. The table also includes a calculation of total property tax for a hypothetical \$200,000 home in each town. For example, the total annual property tax in Temple would be:  $200 \times \$24.16 = \$4832$ .

2020 Tax Rates							
Town	State Education	Local Education	Total Education	Municipal	County	Total Rate	\$200k Home
Antrim	\$ 2.05	\$ 14.80	\$ 16.85	\$ 10.57	\$ 1.13	\$ 28.55	\$ 5,710
Bennington	\$ 1.86	\$ 15.52	\$ 17.38	\$ 10.99	\$ 1.02	\$ 29.39	\$ 5,878
Dublin	\$ 1.92	\$ 13.40	\$ 15.32	\$ 5.81	\$ 3.50	\$ 24.63	\$ 4,926
Francestown	\$ 1.83	\$ 15.15	\$ 16.98	\$ 7.86	\$ 1.02	\$ 25.86	\$ 5,172
Greenfield	\$ 1.96	\$ 15.63	\$ 17.59	\$ 8.50	\$ 1.06	\$ 27.15	\$ 5,430
Hancock	\$ 2.01	\$ 15.47	\$ 17.48	\$ 7.60	\$ 1.14	\$ 26.22	\$ 5,244
Peterborough	\$ 2.04	\$ 17.74	\$ 19.78	\$ 9.92	\$ 1.14	\$ 30.84	\$ 6,168
Sharon	\$ 1.76	\$ 14.80	\$ 16.56	\$ 5.09	\$ 0.95	\$ 22.60	\$ 4,520
Temple	\$ 1.81	\$ 16.09	\$ 17.90	\$ 5.25	\$ 1.01	\$ 24.16	\$ 4,832
2021 Tax Rates							
Town	State Education	Local Education	Total Education	Municipal	County	Total Rate	\$200k Home
Antrim	\$ 2.05	\$ 13.24	\$ 15.29	\$ 9.65	\$ 1.13	\$ 26.07	\$ 5,214
Bennington	\$ 1.84	\$ 16.27	\$ 18.11	\$ 11.11	\$ 1.12	\$ 30.34	\$ 6,068
Dublin	\$ 1.77	\$ 12.16	\$ 13.93	\$ 6.22	\$ 3.27	\$ 23.42	\$ 4,684
Francestown	\$ 1.83	\$ 13.88	\$ 15.71	\$ 7.80	\$ 1.01	\$ 24.52	\$ 4,904
Greenfield	\$ 1.90	\$ 14.97	\$ 16.87	\$ 8.88	\$ 1.05	\$ 26.80	\$ 5,360
Hancock	\$ 1.77	\$ 12.67	\$ 14.44	\$ 6.54	\$ 0.98	\$ 21.96	\$ 4,392
Peterborough	\$ 1.66	\$ 13.96	\$ 15.62	\$ 9.17	\$ 0.97	\$ 25.76	\$ 5,152
Sharon	\$ 1.71	\$ 14.11	\$ 15.82	\$ 5.56	\$ 0.97	\$ 22.35	\$ 4,470
Temple	\$ 1.81	\$ 14.96	\$ 16.77	\$ 5.63	\$ 1.01	\$ 23.41	\$ 4,682

**Table 1 –ConVal District Property Tax Rates**

Be careful when making a year-to-year or a town-to-town comparison:

- properties in each town are assessed every five years but the towns are on different schedule
- Each town's share of the total local education tax will vary based on the student population and assessed property values.

## District Tax Assessment

Each fall, the NH Department of Education issues a “Cooperative District Apportionment” that includes a calculation of the amount “to be raised from local taxes”. Table 2 shows the final tax bill information for this year (FY22) and several previous years.

School FY	2018	2019	2020	2021	2022
<b>Budget (MS22 &amp; 24)</b>	<b>\$45,858,369</b>	<b>\$48,712,397</b>	<b>\$49,637,194</b>	<b>\$51,235,103</b>	<b>\$ 54,131,076</b>
<b>Less Local Revenue &amp; Credits</b>	<b>\$ (5,489,641)</b>	<b>\$ (5,274,660)</b>	<b>\$ (4,513,274)</b>	<b>\$ (3,135,535)</b>	<b>\$ (7,537,639)</b>
<b>Total to Apportion</b>	<b>\$40,368,728</b>	<b>\$43,437,737</b>	<b>\$45,123,920</b>	<b>\$48,099,568</b>	<b>\$ 46,593,437</b>
<b>State Education Taxes</b>	<b>\$ 4,561,136</b>	<b>\$ 4,281,725</b>	<b>\$ 4,339,719</b>	<b>\$ 4,259,836</b>	<b>\$ 4,259,724</b>
<b>State Adequacy Grant</b>	<b>\$ 7,383,872</b>	<b>\$ 7,373,770</b>	<b>\$ 8,062,504</b>	<b>\$ 8,512,066</b>	<b>\$ 8,500,571</b>
<b>District Tax Assessment</b>	<b>\$28,423,720</b>	<b>\$31,782,242</b>	<b>\$32,721,697</b>	<b>\$35,327,666</b>	<b>\$ 33,833,142</b>
			V%	7.96%	-4.23%

Table 2 - ConVal District Tax Assessment

This calculation takes the following factors into account:

- The current school year school budget (MS22 & MS24 reports)
- Local Revenues and credits (including the audited fund balance “returned” to the towns)
- State Education taxes (collected by the towns) and State Adequacy Grants

We’ll explain some of these later, but first note the two highlighted amounts for school fiscal year 2021 (that ended on June 30, 2021):

- the Budget went up by almost \$2.9 million but...
- The District Tax Assessment went down by almost \$1.5 million

**This is where the \$4.1 million “returned” to the towns comes into play. Without this, the amount that would have to have been raised through local property taxes would have been significantly higher.**

The below table compares the budgeted and the actual amount of funds “returned” to towns after each fiscal year financial statement is finalized. As stated before, the fund balance for last year is unprecedented and is not expected to recur. Note that the Board’s proposed budget for FY23 will include the traditional estimate for Fund Balance “returned”.

	Proposed Budget	Approved Fund Balance		Final Tax Bill
FY17-18	\$250,000	\$1,372,508	FY16-17	December '17
FY18-19	\$250,000	\$853,337	FY17-18	December '18
FY19-20	\$250,000	\$1,294,239	FY18-19	December '19
FY20-21	\$250,000	\$250,000	FY19-20	December '20
FY21-22	\$250,000	\$4,087,516	FY20-21	December '21
FY22-23	\$250,000	TBD	FY21-22	December '22

Table 3 - ConVal District Taxes “Returned”

## District Tax Assessment Apportionment

How is this “District Tax Assessment” split between the nine towns? The NH DOE “Cooperative District Apportionment” report published each fall establishes the total District Assessment as well as the amount to be raised by each town in the District.

The **District Tax Assessment** is allocated amongst the nine towns based on the following funding formula that is mandated by the District **Articles of Agreement**:

- Average Daily Membership (ADM) – 50% (a factor based on students from each town)
- Equalized Value – 50% (a factor based on assessed values of homes in the District)

Here’s a summary of the current ADM and Equalized Value data used to apportion these taxes.

District Allocation - 2021					
Town	ADM (2019-20)	% of District	Equalized Value (2020)	% of District	Total % District
Antrim	307.08	14.72%	\$ 306,479,726	12.05%	13.38%
Bennington	199.83	9.58%	\$ 151,906,410	5.97%	7.78%
Dublin	133.47	6.40%	\$ 274,211,550	10.78%	8.59%
Francestown	171.17	8.20%	\$ 227,893,705	8.96%	8.58%
Greenfield	195.87	9.39%	\$ 186,071,388	7.32%	8.35%
Hancock	169.30	8.12%	\$ 296,668,640	11.66%	9.89%
Peterborough	719.59	34.49%	\$ 870,716,087	34.24%	34.36%
Sharon	46.50	2.23%	\$ 58,074,505	2.28%	2.26%
Temple	143.40	6.87%	\$ 171,308,967	6.74%	6.80%
CONVAL Total	2086.21	100.00%	\$ 2,543,330,978	100.00%	100.00%

Table 4 - District Tax Apportionment by town

The actual District Tax Assessment allocation by town is shown below for the past several years.

District Tax Assessments (2018-2021)						
Town	2018	2019	2020	2021	2020-21 Change	
Antrim	\$ 3,395,767	\$ 3,275,899	\$ 3,770,878	\$ 3,487,778	\$ (283,100)	-7.51%
Bennington	\$ 1,762,575	\$ 1,949,857	\$ 1,996,829	\$ 2,138,074	\$ 141,245	7.07%
Dublin	\$ 3,352,339	\$ 3,529,139	\$ 3,667,159	\$ 3,373,668	\$ (293,491)	-8.00%
Francestown	\$ 2,838,560	\$ 2,905,954	\$ 3,300,595	\$ 3,052,248	\$ (248,347)	-7.52%
Greenfield	\$ 2,419,147	\$ 2,713,545	\$ 2,661,678	\$ 2,579,709	\$ (81,969)	-3.08%
Hancock	\$ 3,609,652	\$ 3,548,505	\$ 3,878,607	\$ 3,723,398	\$ (155,209)	-4.00%
Peterborough	\$11,373,973	\$11,686,901	\$12,575,878	\$12,207,636	\$ (368,242)	-2.93%
Sharon	\$ 715,508	\$ 796,110	\$ 850,891	\$ 817,060	\$ (33,831)	-3.98%
Temple	\$ 2,314,721	\$ 2,315,787	\$ 2,625,151	\$ 2,456,695	\$ (168,456)	-6.42%
CONVAL Total	\$31,782,242	\$32,721,697	\$35,327,666	\$33,836,266	\$ (1,491,400)	-4.22%

Table 5 – Local Education Property Tax Assessment by Town

## Impact of Taxes “Returned”

As stated before, the \$4.1M in District Funds directly reduced the amount of property taxes that needed to be raised.

The details of the calculation of “taxes returned” (i.e the fund balance) this year are included in the “MS-25 School Financial Report For the Year Ending June 30, 2021”. This report was submitted by the District and was approved by the NH Department of Revenue .

A summary of the past two years is included below. You will note that for FY20, the total amount of unassigned funds was split between what the District “retained” and what we returned. This was a one time retention based on Emergency Order #38.

Financial Article No. 9 posted February 10, 2021 discussed the subject of Fund Balance retention in detail.

MS-25 School Financial Reports							
FY Ending June 30, 2020				FY Ending June 30, 2021			
<b>Assets</b>							
<b>Total Current Assets</b>			\$ 3,706,488.37				\$ 6,478,973.78
<b>Liabilities &amp; Fund Equity</b>							
<b>Total Current Liabilities</b>			\$ 191,364.23				\$ 403,345.92
<b>Fund Equity</b>							
Reserve for Amounts Voted				Reserve for Amounts Voted			
2 - Building Capital Reserve Fund	\$	550,000.00		4 - Special Education Reserve Trust fund	\$	100,000.00	
3 - Athletic Trust Fund	\$	25,000.00		5 - Building Capital Reserve Fund	\$	300,000.00	
4 - Health Trust Fund	\$	<u>25,000.00</u>		6 - Energy Trust Fund	\$	25,000.00	
				7 - Equipment Trust Fund	\$	50,000.00	
				8 - Athletic Trust Fund	\$	25,000.00	
				9 - Building Capital Reserve Fund	\$	200,000.00	
Total Reserves for Amounts Voted	\$	600,000.00			\$	700,000.00	
Total Reserves for Encumbrances	\$	1,853,165.00			\$	796,817.19	
Total Reserve for Special Purposes	\$	491,122.56			\$	491,294.66	
Unassigned Fund Balance	\$	570,836.58			\$	4,087,516.01	
Retain for COVID-19	#	\$ 320,836.58					
Unreserved Fund Balance	\$	250,000.00					
<b>Total Fund Equity</b>			\$ 3,515,124.14				\$ 6,075,627.86
<b>Total Liability &amp; Fund Equity</b>			\$ 3,706,488.37				\$ 6,478,973.78
<b>Approved Motion (10/27/20)</b>							
That pursuant to the State of New Hampshire Governor's Emergency Order #38, the Superintendent is directed to prepare a letter to be signed by the entire Board for submittal to NH Department of Education seeking approval to make emergency expenditures associated with the COVID-19 pandemic in the amount of \$320,836.58 utilizing a portion of the District's Unassigned Fund Balance.							

## **So Why are Property Taxes so high?**

Great question. We've walked you backwards through the local education property tax calculation process. You can see that there are a lot of "moving parts" that can change from one year to the next.

The Operating Budget (what we propose and what we actually spend) is obviously a big factor but so are revenues. In NH, property taxes are used to fund a higher percentage of the costs of education than most, if not all, states. Will that change? Hard to say – but there are ongoing discussions at the state level that might actually end up shifting additional burden onto local property taxes.

Note that the ConVal School District filed a lawsuit against the state of NH in March 2019 regarding the state's failure to meet its constitutional requirement to fund an "adequate education". The current "Adequacy Grant" is deemed inadequate (well below the actual cost per student). The state is resisting this in court and it will take a while to play out.

*The next few articles in this series will be focused on the School Budget for FY22-23. District voting will be held on March 8<sup>th</sup>.*