

Budget Forecast for Hanover Public Schools: FY25 - FY30

November 15, 2023

DRAFT 1.0

Identifying the Issues: Purpose for this Analysis

This (draft 1.0) analysis was done to support and help guide a five-year funding strategy to maintain the current level of service to the 2,600 students and 360 employees of the Hanover Public Schools (HPS). This five-year analysis is based upon the requested FY25 operating budget of \$39,550,594 for FY25. These projections may shift as the budget process moves forward, but this is a solid starting point.

In order to maintain our current level of service to our students, staff, and the community overall, it will require a significant increase in funding to the HPS operating budget in FY25. At this time, we believe that we have solid projections for the FY25 funding gap between historic annual increases and the amount required in FY25 to maintain level services. The purpose of this report is to look at forward facing projections and estimates. The details of the FY25 funding gap are covered in other reports and presentations. The data below represents projections for the five years beyond FY25 if we are successful in finding a solution to “reset” the operating budget to support the current funding required to support education in Hanover.

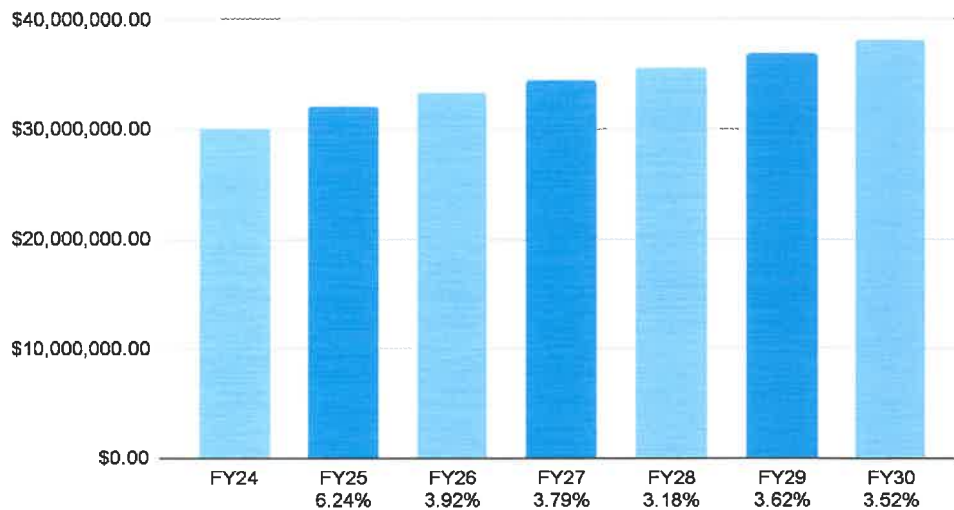
Salary Projections

The data points used for this analysis were derived from payroll and expense data going back 5-10 years and trend analysis of budget drivers over the same time period.

Variables such as staff retirements, resignations, lane changes (related to advanced degrees and college credits), and hiring/transferring staff based on student programming requirements will require annual adjustments to the salary budget lines. However, these projections are expected to remain within a reasonable degree of certainty over five years as they are generally controlled by the various collective bargaining agreements (CBA) in place and predictable student enrollment.

Assumptions used for salary projections:

1. Salary projections are based on all HPS staff members remaining in their current positions until 2030. Salary lines were increased using an annual assumption of 3.0%.
2. All annual salary step changes/increases are included in the projections based on the current CBAs in place for all employee units.
3. Employees paid from revolving accounts are not factored into the overall salary increases, however, for planning purposes we are using an annual assumption of 3.0%.



HPS Salary Projections: FY25 to FY30

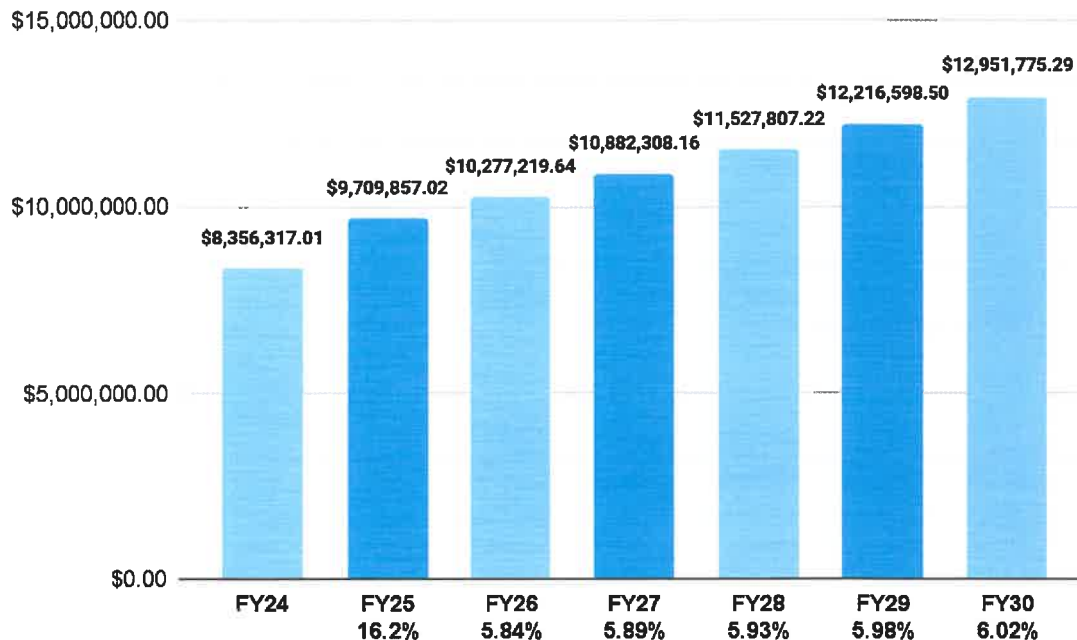
Expense Projections

Predictable Expenses: Factors such as inflation on common supplies and student materials, technology needs and changes, and evolving curriculum requirements will require annual review and adjustment. However, projections for these expense lines are expected to remain within a reasonable degree of certainty over five years as they are predictable and can be planned for in advance.

Highly Variable Expenses: These expenses are generally related to tuition for out-of-district (OOD) schools, contracted services for specialized student needs, and specialized transportation expenses. Post COVID, these non-discretionary expenses have been highly volatile and have required extraordinary funding strategies that have relied upon non-recurring sources of revenue. These expenses are very challenging and will be less predictable over time. To support the operating budget, we recommend funding the Special Education Reserve Fund at a level that will support 3 to 5 unknown/unanticipated OOD placement costs based on the overall trend from the past five years.

Assumptions used for expense projections:

1. For all predictable expense lines, we are using a 3.0% annual increase.
2. For highly variable expense lines, we are using a 7.5 % annual increase.

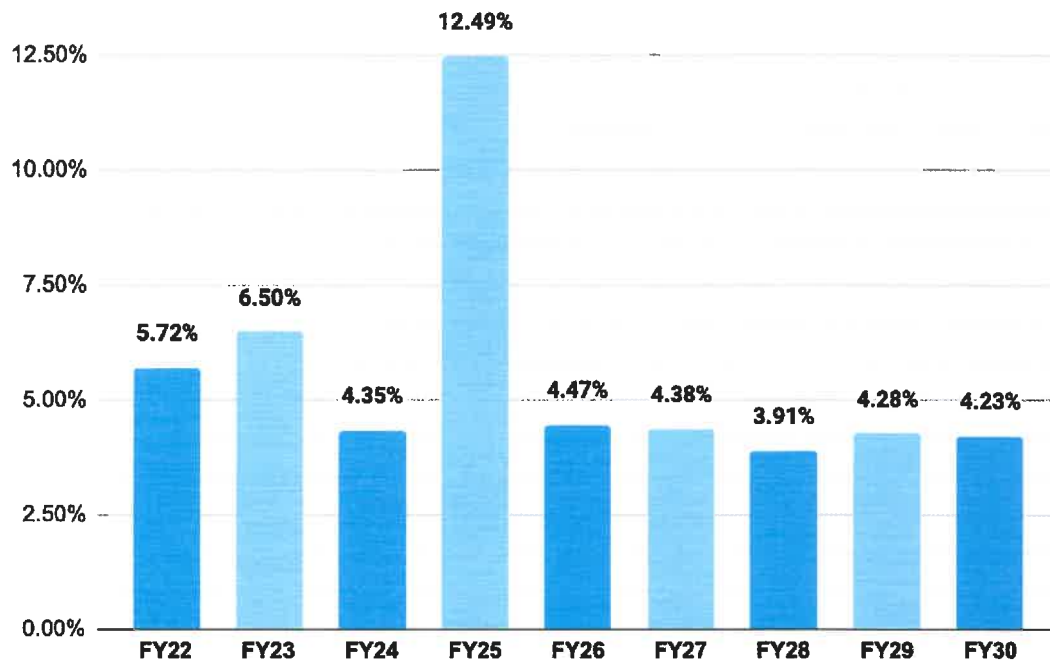


Expense Projections: FY25 to FY30

Overall Operating Budget Projections: FY25 to FY30

Using the data presently available, historic trends, and informed estimations, we expect a more predictable and steady progression of operating costs as we move further away from the impact of COVID and the reliance on non-recurring funding sources. Looking ahead, the annual increases to the HPS operating budget are predicted to be in the 4.0 to 4.5% range as reflected in the graph below.

We have identified some of the risks and challenges associated with these projections in the narrative above, however, we are keenly aware that creating a sustainable and predictable operating budget is a top priority for the School Department and for the residents of our community. Moving forward, we will continue to work with Town officials to ensure that we have the appropriate level of reserve funds to mitigate extraordinary expenses that may arise in the years ahead, and we will continue to evaluate all opportunities to control costs without sacrificing the quality of services and experiences for our students, staff, and community.



HPS Overall Operating Budget Projections: FY25 to FY30