

BUDGET AND FINANCE FREQUENTLY ASKED QUESTIONS

1. BUDGET DEVELOPMENT

What did Senate Bill 2 (SB2) do to change the approval of Local Budgets?

Before Senate Bill 2 (SB2), all local town annual meetings / elections were assembled in a centralized location to listen to presentations and discuss / debate the proposed articles. Taxpayers for the meeting, become the “legislative body”. Amendments could be made, and ultimately, the legislative body would vote. Some people felt as attendance began to decline, and absentee ballots were not available. In essence, a small group of people assembled were making decisions regarding budgets and other articles for the whole town / school district. Because of this, some believed a new method of voting appropriations needed to be developed.

The NH legislature borrowed a method of voting from the State of NY allows the “voting” of all budget items on the warrant as well as the election local officers. So, to expand the vote to expend local funds, the Senate passed SB2. Each Town / School District had to vote to enable the change of voting on “money” articles. Those that did, now have the Deliberative Session, which allows for discussion and amendments, but the actual voting takes place on voting day via ballot.

What is a Default Budget?

RSA 40:13, IX (b): "Default budget" as used in this subdivision means the amount of the same appropriations as contained in the operating budget authorized for the previous year, reduced and increased, as the case may be, by debt service, contracts, and other obligations previously incurred or mandated by law, and reduced by one-time expenditures contained in the operating budget. For the purposes of this paragraph, one-time expenditures shall be appropriations not likely to recur in the succeeding budget, as determined by the governing body, unless the provisions of RSA 40:14-b are adopted, of the local political subdivision.

What is the Proposed Budget?

RSA 32:3 The School District through a series of public “workshop” meetings shall present to the School Board the Administrations proposed budget. Such budget shall meet the financial obligations of the School District based on goals and objectives, curriculum, legal

and debt obligations of the School District. The School Board, after listening to the Administration, and after deliberations, at a public meeting, shall provide the School District's proposed budget of appropriations for the voters to approve {or not} at the annual meeting. Which ever level of appropriations is approved for the operating budget, appropriations shall lapse on June 30th of each year.

How is a Default Budget Calculated?

First, you start with the current budget as approved by the voters, remove all special warrant articles and items of a one-time nature that will not likely recur in the succeeding proposed budget. Items in the operating budget that are designated "one time" items can be anything that is appropriated in the current operating budget that is not commonplace nor has appeared with consistency in past budgets.

After removing all special warrant articles and one-time items, one would then adjust the default budget for changes in bonded debt, contractual obligations, Federal and State mandates and other obligations previously incurred, and items mandated by law. Examples of contractual and other obligations previously incurred or mandated by law would be employee salary and benefits previously approved via employee labor contractual increases, facility requirements for providing a healthy and safe learning environment, ongoing and new contracts, and special education costs driven by individualized education programs per State and Federal guidelines.

What are Capital Reserve Funds / Trust Funds, and how are they different than the General Operating Budget?

All capital reserve / trust funds must be presented as a special article. The original article must state the purpose of the fund. Appropriations via a special article must be voted at the District annual meeting or ballot. These funds cannot be commingled with the general fund or used to offset those costs covered by the general fund.

Is the Londonderry School District a Senate Bill 2 (SB2) School District?

The Londonderry School District is a Charter School District. The Charter spells out the process to which the general fund operating budget and other money articles are discussed and voted. It also lays out the budget process and calendar for public hearing and public notices. The Charter, for the most part, follows the SB2 law. However, by the fact the School District has a Charter, differs it from the more traditional SB2 School Districts.

Can the Default Budget be amended at the Deliberative Session?

No. RSA 40:13 XI. (b) states that "This amount shall not be amended by the legislative body."

When are the Budgets developed?

The actual thought process for the FY21-22 budget, begins during the FY20-21 budget process. As the Administration begins to build the FY20-21 budget, items deferred, cut or added can have an effect on the upcoming or next year's budget.

The activity for developing the annual School District Budget and other articles begins just after the opening of school. The senior management team begins developing goals, objectives both operational and capital to meet the ongoing needs of the School District. Around the Thanksgiving Holiday, the Superintendent will submit the Administrations' proposed operating budget. During the month of December, the School District will hold several "budget workshop meetings" where each building, program director will provide details of the budget submitted to the School Board and public. New Hampshire state law requires at least one public hearing whereby the public is encouraged to provide input to the overall level of appropriations that will be placed on the warrant for a vote. Currently, the Londonderry School District operates under a charter which follows the general calendar of SB2. Thereby, the School District must hold a deliberative session whereby the public has the duty to listen and ask questions and have the right to make amendments to the proposed articles. The approved articles are then voted on by the general public at the required voting day under New Hampshire state law.

2. SURPLUS [FUND BALANCE]

What is Surplus or Uncommitted Unassigned Fund Balance?

Surplus can come from two sources: Under expending the budget (appropriations surplus) and/or realizing more actual revenue than was estimated (revenue surplus). When the operating budget is developed, it is representative of an estimate of our future obligations. That process begins almost a year before the school district begins to operate in that fiscal period. It includes assumptions for health rates, energy and supply costs, and a multitude of other items that comprise a budget with almost 1,000 unique accounts. If the estimates are greater than the actual expenditure when closing out the fiscal year, the result is an under expenditure that flows into surplus. The same holds true for revenue estimates if the school district receives more revenue than is estimated.

How much surplus should the school district retain?

The school district should use prudent estimates that minimize the probability of having a school system in a deficit position and allow it to meet its obligations during the school year. Also, school districts, like Towns and private corporations, are rated by financial agencies such as Standard and Poor's and Moody's. This rating impacts our borrowing rates for long-term capital projects. Investors in the municipal bond market look for entities that have a pattern of financial stability and the necessary resources to meet future bond payment obligations. An appropriate surplus used to reduce taxes at year-end is a desirable outcome in closing out the budget.

What purposes can school fund balance be used for?

RSA 198:4-b Notwithstanding any other provision of law, a school district by a vote of the legislative body may authorize, indefinitely until specific rescission, the school district to retain year-end unassigned general funds in an amount not to exceed, in any fiscal year, 2.5 percent of the current fiscal year's net assessment pursuant to RSA 198:5, for the purpose of having funds on hand to use as a revenue source for emergency expenditures and over expenditures under RSA 32:11, or to be used as a revenue source to reduce the tax rate. Our current maximum amount of retention is around 1,600,000.

3. IMPORTANT DATES FOR FY2021-22 BUDGET

Jan 12, 2021 Citizens Petition Articles and cost items for CBA's

Deadline to post and publish public hearing and bond hearing

Jan 14, 2021 Budget Hearing

Jan 14, 2021 Bond Hearing [if necessary]

Jan 22, 2021 Last Date to Post Warrant and Budget for Sessions I and II

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Feb 5, 2021 Deliberative Session

March 9, 2021 Public Election and Budget/Appropriations
Approved

32:3 Definitions. –

In this chapter:

- I. "Appropriate" means to set apart from the public revenue of a municipality a certain sum for a specified purpose and to authorize the expenditure of that sum for that purpose.
- II. "Appropriation" means an amount of money appropriated for a specified purpose by the legislative body.
- III. "Budget" means a statement of recommended appropriations and anticipated revenues submitted to the legislative body by the budget committee, or the governing body if there is no budget committee, as an attachment to, and as part of the warrant for, an annual or special meeting.
- IV. "District" includes a school district, cooperative school district, village district, district created pursuant to RSA 53-A or 53-B, or municipal economic development and revitalization district created pursuant to RSA 162-K.
- V. "Purpose" means a goal or aim to be accomplished through the expenditure of public funds. In addition, as used in RSA 32:8 and RSA 32:10, I(e), concerning the limitation on expenditures, a line on the budget form posted with the warrant, or form submitted to the department of revenue administration, or an appropriation contained in a special warrant article, shall be considered a single "purpose."
- VI. "Special warrant article" means any article in the warrant for an annual or special meeting which proposes an appropriation by the meeting and which:
 - (a) Is submitted by petition; or
 - (b) Calls for an appropriation of an amount to be raised by the issuance of bonds or notes pursuant to RSA 33; or
 - (c) Calls for an appropriation to or from a separate fund created pursuant to statute, including but not limited to a capital reserve fund under RSA 35, or trust fund under RSA 31:19-a; or
 - (d) Is designated in the warrant, by the governing body, as a special warrant article, or as a nonlapsing or nontransferable appropriation; or
 - (e) Calls for an appropriation of an amount for a capital project under RSA 32:7-a.

32:4 Estimate of Expenditures and Revenues. – All municipal officers, administrative officials and department heads, including officers of such self-sustaining departments as water, sewer, and electric departments, shall prepare statements of estimated expenditures and revenues for the ensuing fiscal year, and shall submit such statements to their respective governing bodies, at such times and in such detail as the governing body may require.

SPECIAL ARTICLES

1. NEGOTIATED COST ITEMS
2. NON-LAPSING ARTICLES

3. BOND AND NOTES
4. CAPITAL RESERVES OR TRUSTS

UNANTICIPATED REVENUE

THERE ARE TIMES, SCHOOLS AND TOWNS CAN ACCEPT REVENUE AS UNANTICIPATED REVENUE. THIS MEANS, THE ACTUAL EXPENDITURE OR BUDGET IS ADJUSTED TO REFLECT THE LEVEL OF THE UNANTICIPATED REVENUE

FUND ACCOUNTING

BEGINNING

IN THE OLD DAYS, THE SELECTMEN SECRETARY HAD MULTIPLE CHECK BOOKS

EACH CHECK BOOK WAS FOR DIFFERENT FUNDS, AND HAD DIFFERENT BANK ACCOUNTS

DIFFERENT FUNDS HAVE DIFFERENT PURPOSES

TODAY, THANK GOD, SMART PROGRAMS HANDLE THE INTERNAL TRANSACTIONS AMONG FUNDS

ENCUMBRANCES

APPROPRIATION EXPIRES AT FISCAL YEAR END

THE WARRANT

WARNING OF THE PEOPLE

PURPOSE OF ARTICLES CANNOT BE CHANGED AT THE ANNUAL MEETING

PROPERTY TAXES

All property taxes are collected by the Town, including state ed tax. The town is required to turn over to the school district, those funds necessary to sustain and fund operations.

Bonds and Notes:

Bonds and Notes must be a special article and require a 60% majority vote.

SCHOOL DISTRICT ISSUE ANNUAL CONTRACTS TO ALL EMPLOYEES, THEREBY ALL SALARIES ARE FIXED BASED ON PRIOR CONTRACTUAL APPROVALS EXCEPT ADMIN STAFF. TEACHER CONTRACTS ARE SENT OUT IN APRIL 1, DUE APRIL 15. ONCE THEY ARE RETURNED, THE SCHOOL DISTRICT HAS CONFIRMED A SLOT.

SPECIAL REVENUE FUNDS

NEED TO BE BUDGETED AT BREAKEVEN..... STATE REQUIREMENT

PUBLIC HEARING ONE PUBLIC HEARING IS REQUIRED BY THE GOVERNING BODY DURING THE BUDGET PROCESS. REMEMBER, MANY LAWS WERE DEVELOPED WAY BACK IN THE EARLY 1900'S, NO INTERNET, NO LOCAL TV

THE ROLE OF DRA IS TO INSURE:

- **THE LAWFUL PROCESS WAS FOLLOWED**
- **PUBLIC INPUT WAS ENCOURAGED AND DELIVERED AT THE PUBLIC HEARING**
- **ENSURE THE ARTICLES WERE PROPERTY WRITTEN**
- **ARTICLES WERE VOTED CORRECTLY**
- **PURPOSES WAS NOT CHANGED**