Understanding The School Budget

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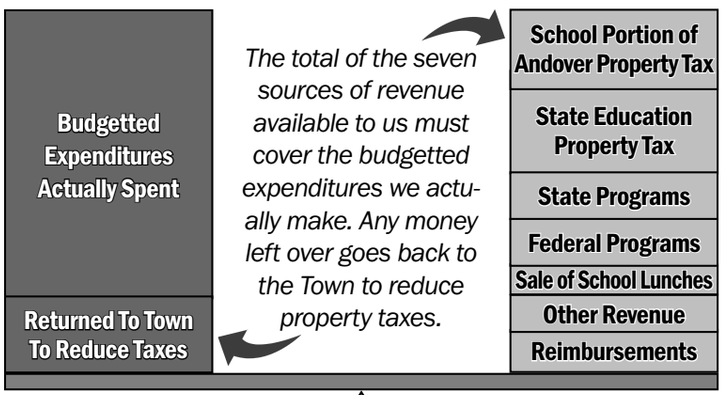
To help you prepare for the budget hearings and school bond hearing later this month and for the Andover School District Meeting in March, this article covers the basics of how the school budget works.

Let's start by putting the Andover School District budget in perspective. If you look at all the money raised by Andover property taxes, money earmarked for education accounts for about 70% of it. And that money is only part of what goes into the school budget. Last year's school budget was over $3.5 million, compared to a town budget of less than $1.5 million. Any way you measure it, the school budget is the biggest fiscal entity in town.

The school budget is drawn up each year by the Andover School Board with much help and input from School Administrative Unit #46 officials. Like any other Town department or committee, the School Board presents its budget to the Andover Budget Committee.

But unlike the budgets of most other Town departments and committees, the school budget is *not* presented at Town Meeting in March. (Our fire departments and the village water district are the other exceptions.) Instead, the school budget is presented at the Andover School District Meeting, also in March and usually several days before Town Meeting. At School District Meeting, Andover taxpayers who attend have the chance to change the proposed budget and ultimately to accept or reject it.



Balancing The School Budget

Expenses

Like any other budget, the Andover School District budget is built in two parts: expenses (money the School Board expects to have to spend) and revenue (money the School Board expects to receive and be able to spend). Let's tackle expenses first.

One of the big challenges in creating the school budget is that it gets drawn up in the fall and winter and approved in March for the following school year. Work on the school budget for next school year (2007-2008) began last September and will culminate at School District meeting in March, months before the 2007-2008 school year begins and over a year from when it will finally end.

Needless to say, this introduces a significant degree of uncertainty for the School Board as they try to guess what it will cost to run the Andover School District next year. What will lettuce for school lunches cost 12 to 18 months in the future? How about heating oil to heat the building? Other puzzling variables include things like the number of new students who might move to town and what their special education needs might be, or whether an expensive piece of infrastructure in the school might require unexpected maintenance.

While the final budgeted expenses can't account for every possible contingency, the School Board tries to cover all the known needs and provide a reasonable buffer to cover the unknown, too.

Revenue

The revenue side of the budget is built from seven broad sources of revenue.

• **State and Federal Grants and Programs.** These are typically funded by the state lottery and the federal income tax. State and federal lawmakers create the programs, and state and federal agencies decide how much of this money Andover can have.

• **The State Education Property Tax.** Look at your property tax bill. One of the largest Tax Rates is labelled "State Ed." That's the State Education Property Tax, and the source of all the talk you've heard for the last several years about "donor towns" and "recipient towns" and "adequate education" and so on.

Under current state law, Andover is neither a significant donor town nor a significant recipient town – pretty much everything that we pay in state education property taxes comes back to Andover, landing in the school budget as revenue.

• **Sale of School Lunches.** When Johnny or Suzy spend a dime in the cafeteria, that's revenue to the school budget.

• **Reimbursements.** Projects like the upcoming updates to the school facilities go into the expense side of the budget at their full cost. When the state and/or federal government pick up part of the cost of a project, those "reimbursements" appear on the revenue side of the budget.

• **Other Revenue.** These are the odds and ends of revenue that don't fit in other categories.

• **School Portion of Property Tax.** Again, take a look at your tax bill. By far the largest tax rate is labelled "School." Once all the other sources of revenue have been identified, the rest has to come from the school portion of our local property taxes. With the right number plugged in here, the total anticipated revenue equals the total anticipated expenses and the budget is in balance.

And with a balanced budget and the blessing of the Andover taxpayers who attend the School District Meeting in March, we're set to begin a new school year the following September.

Returned To Reduce Taxes

But the story isn't over. According to state law, any revenue that the School District receives but doesn't spend has to be returned to the Town, which uses it to reduce the following year's tax rate.

In a perfect world, the School Board would know the price of lettuce 18 months in advance, and the money budgeted and spent would exactly match the money received. But because it's not a perfect world, the School Board must build in money for contingencies, like a cold winter and high fuel prices.

When those contingencies don't materialize – a mild winter with reasonable fuel prices – some of the money raised through local property taxes isn't needed. After the end of the school year that money is turned over to the Town, which uses it to reduce taxes in the following year.

Over the last four budget years, the amount returned to the Town has totalled nearly $800,000, with amounts for individual years ranging from a high of almost $267,000 to a low of about $95,000.

With the unexpended revenue (if any) returned to the Town, the School Board's attention turns to the next school year, and the entire cycle starts again.

Lake Kolelemook Shared Waterfront!

This new listing has it all! Beautiful wood & tile floors, Cathedral ceilings, 3+ bedrooms, 2 bay garage & heated office/studio & more!
Springfield - **$337,500**

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This cozy 3-bedroom home is located near Proctor & is nestled back from the road. Propane fireplace, some wood floors, large bath, 3 season sun porch & garage.
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Andover Budget Committee Public Hearings
Town Hall • 31 School St.
Andover School Budget
January 10, 7 PM
Town, Fire, and Water Budgets
January 17, 7 PM
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