WHY AMHERST SCHOOL DISTRICT COSTS ARE SO HIGH AND WHAT TO DO ABOUT THEM

EXECUTIVE SUMMARY

A Report from the ASD Ways & Means Committee

JANUARY 2023

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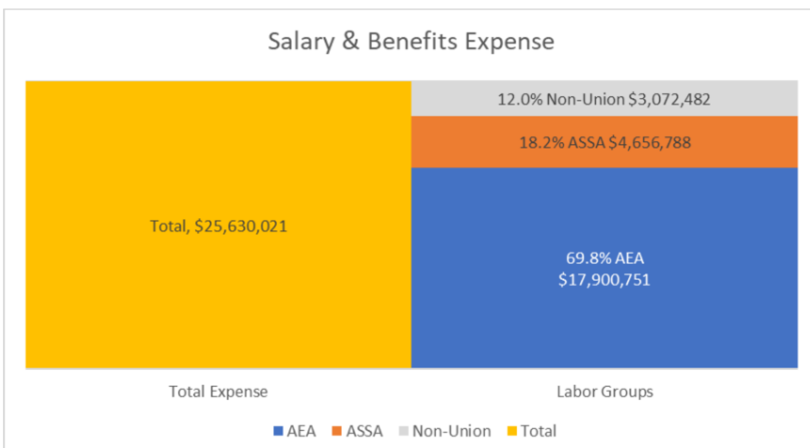
SECTION 1: INTRODUCTION

As we pointed out in our *Assessing ASD Educational Value* report and its related *Executive Summary*, some of our peer schools consistently outperform the Amherst School District (ASD) schools academically. What's more, they also consistently outperform ASD in cost efficiency. ASD's closest peer districts, Bedford, Hollis, and Brookline, consistently outperform ASD in both categories. Their proficiency scores are often 10 to 20 points higher than ours, and their All-In CPP costs are considerably lower. It appears that these communities enjoy the best of both worlds when it comes to educational outcomes and the costs invested to achieve them.

This report focuses on the financial side of the educational value equation, the high educational costs we as a community endure, why, and what steps might be taken to reign in and reduce out-of-balance costs.

ASD is spending over $25 million, or 79% of its budget, on people this fiscal year. A lot of these costs are driven by the collective bargaining agreement (CBA) that the schools have with the Amherst Education Association teachers' union – the AEA. There is also a CBA with the ASD support staff (ASSA). Overall, the AEA agreement drives 70% of personnel costs; the ASSA agreement drives 18%, and non-union personnel drive 12% of costs.



Not only do these CBA agreements drive the highest costs in our budgets, once such an agreement is approved by the voters, it becomes a contractual obligation. That means those costs must also be built into ensuing default budgets as well as proposed budgets, in effect, perpetuating those costs indefinitely unless the union and school board renegotiate them.

Also, many of the costs housed in the CBA's are driven by the salary schedule. For example, an increase in salary increases associated benefits as well as mandated federal and state employee expenses such as FICA, Medicare, Unemployment Insurance, Workman's Compensation, as well as retirement obligations borne by the town. Therefore, it is critical that voters understand the long-term financial impact of their votes on both the AEA and ASSA agreements, both of which are being renegotiated now.

Several cost categories represent the high-cost drivers for ASD budgets. These include: budget growth, enrollment changes and staffing levels, salary schedules, health/medical insurance, retirement/longevity incentives, and performance evaluations and reductions in force/rehiring practices. We look at each of these.

SECTION 2: STRIVING FOR FINANCIAL PARITY

On an All-In Cost-Per-Pupil basis (everything we spend on educating each pupil), our peer schools better educate their students for less money.

Our All-In CPP is $22.5K, whereas Hollis's is $20K, Brookline's is $16.8K, and Bedford's is $16K.

ASD's current budget is around $31.5 million. That means:

- If ASD's All-In CPP were equal to Hollis's, our budget would be $27.2 million or about $4.3 million *less* than it is now.

- If ASD's All-In CPP were equal to Brookline's, our budget would be $22.8 million or about $8.7 million *les*s than it is now.

- If ASD's All-In CPP were equal to Bedford's, our budget would be $21.8 million or about $9.8 million *less* than it is now.

Given these harsh fiscal realities, it's quite challenging for us to be confronting a proposed budget that is $1million *more* than our current budget.

We believe that Amherst has ended up in this situation because the normal checks and balances among school board, administration, and staff have faltered over the years. There is an expectation that school boards will set budgets based not only on what is best for students but what is reasonable and sustainable for taxpayers. Rather than striking this balance, successive school boards have deferred to supporting most of what school administration has asked for. As a result, successive higher operating budgets coupled with unrelenting increases from bargaining agreements have led to what we believe are undesirable and unsustainable spending levels.

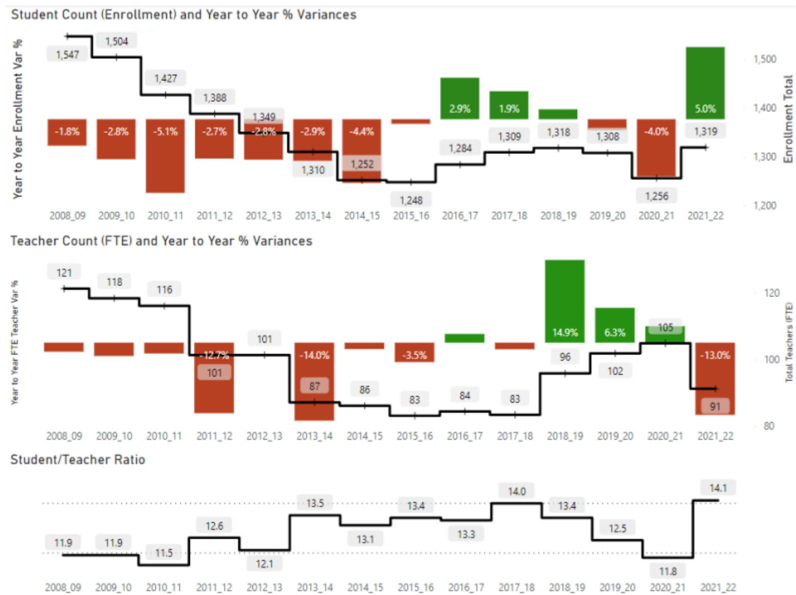
While much of the ASD school budgets are now driven by CBA's, there are still millions of budget dollars that are not. Until CBA's can be reined in, these other budget items should be trimmed wherever possible. However, we believe it will not be possible to bring our costs into parity with peer schools in a balanced way *unless* the CBA's get renegotiated to more sustainable and sensible levels and other non-union personnel costs are rebalanced, as well.

SECTION 3: ASD STUDENT ENROLLMENT TRENDS

Across the country, state, and region, enrollment has been on a long-term decline. According to the 2020 census and actual birth data, recent enrollment increases have come from family migration, not births.

As shown in the following chart, ASD staffing levels have not aligned smoothly with enrollment changes. We have evolved from a student/teacher ratio of 11.9 in 2008-09 to 14.1

in 2021-22. This student/teacher ratio requires a higher level of staffing than other peer schools.

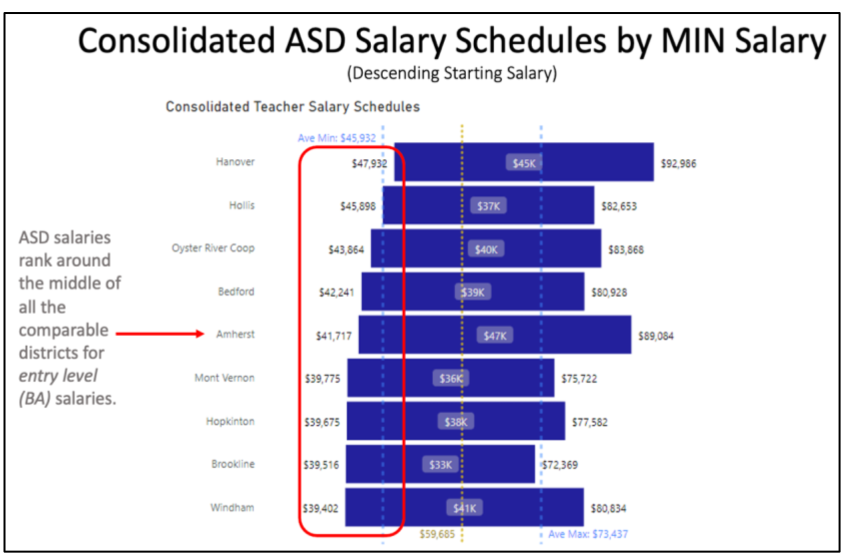


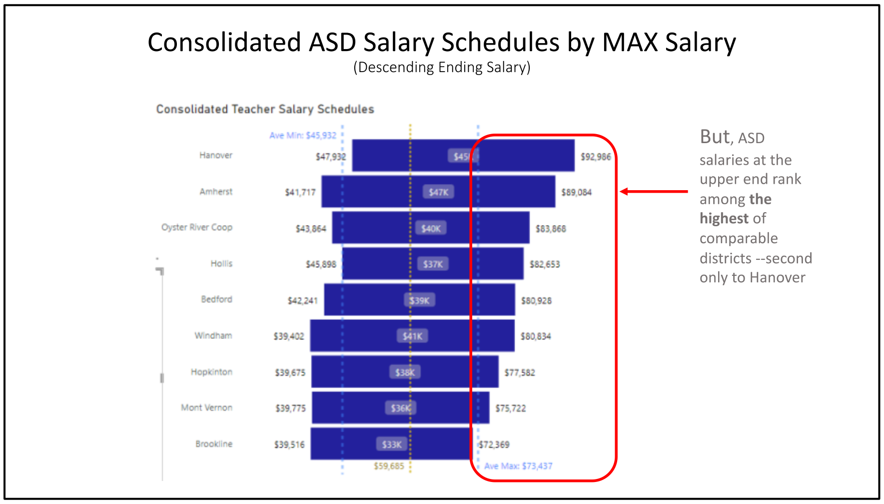
SECTION 4: ANALYSIS OF THE AEA COLLECTIVE BARGAINING AGREEMENT

Under the AEA agreement, all regularly salaried classroom teachers, librarians, speech therapists, occupational therapists, school psychologists, guidance counselors and nurses are defined as *Teachers* and are covered under the AEA agreement. So, their salary schedules, professional development costs, medical coverage, sick leave, retirement and more are driven by the terms of the agreement.

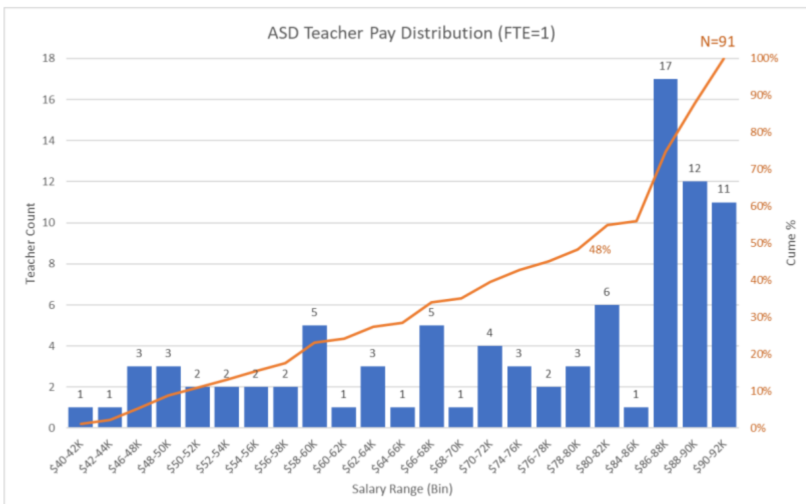
AEA Salary Schedules

Salary increases are prescribed in the AEA contract through a series of steps and grades within each step. Increases occur automatically based on longevity. These increases are not tied to teacher or student performance but rather how long a teacher has served in the district.





As shown in the graph below, the distribution of teacher pay is skewed to the high end – with 47 out of 91 teachers (51.6%) being paid at the top of their salary schedules.



Over and above salaries, the CBA also provides additional ways for teachers to earn above their salary level via longevity bonuses, insurance buyouts, stipends, and professional development compensation. This combines to make ASD teacher compensation quite attractive compared to other communities.

AEA Medical and Health Insurance

Rising health care costs are another significant driver of expenditures within a school budget. Under the AEA agreement, the district pays anywhere from 86.5% to 93% of premiums for the HMO plan and anywhere from 80.5% to 89.5% of the POS plan premiums.

Of the eight districts we referenced in the salary schedules above, three offer insurance plans where the district pays 90% or more of the premium. Those are: Amherst (single plan only), Hanover (all plans), and Bedford (all plans).

AEA Retirement/Longevity Bonuses

Most school districts offer some sort of incentive to retain their veteran staff. Many of these incentives take the form of one or more payouts when an employee reaches a specific number of years of service. A significant portion of these annual expenditures are outlined in Article 14 of the AEA agreement.

- Article 14.1 provides a one-time salary adjustment for retiring teachers in the amount of 1/189 of the teacher's final year's salary (including longevity) for each year of full-time equivalent employment. Example: 1/189 x $80,000 final salary x 20 years of service = **$8,466** payment.

- Article 14.2 provides **$3,000** bonus for retiring teachers.

- Article 14.3 offers teachers qualifying teachers with a **$500** bonus.

- Article 14.4 provides teachers with up to 25 years of full-time teaching in a bonus of Amherst **50% of their salary**. Teachers with more than 25 years of service get an additional 2% for every year of teaching experience up to a maximum of seventy percent (70%).

- Article 14.5 switches newer teachers from 14.4, which involves the use of a veteran's salary table that provides a significant pay increase to the staff member in their last year before retirement.

Amherst taxpayers have been paying considerable amounts of money for decades as an incentive for people to retire. The table below shows what has been paid out over the past several years. Here are three examples:

- Under 14.4, combining various bonuses listed above, a retiring teacher with a Masters degree and 25 years of experience would receive a total bonus of around **$83,000**. $74,484 of this total would bump up this teacher's final year's salary that counts towards their retirement pension from **$88,000** to **$162,000**. Since the state legislature has been decreasing the amount they pay for retirement, Amherst taxpayers would be liable not only for the bonuses but for any future state-unfunded retirement costs.

- Under 14.5 Option 1, a teacher with 25 years of service could receive a combined bonus total of over **$84,000**. The bump in this teacher's final year's salary that counts towards their retirement pension would go from $**88,000** to $**122,207.**

- Under 14.5 Option 2, a teacher with 25 years of service could receive a combined bonus total of **$147,860.** The bump in this teacher's final year's salary that counts towards their retirement pension would go from $**88,000** to $**102,000** providing a credit worth many years of health insurance.

AEA 5 Year Payout Costs Under 14.4 & 14.5

AEA Retirees	FY18 Retiree Cost	FY19 Retiree Cost	FY20 Retiree Cost	FY21 Retiree Costs	FY22 Retiree Costs
Retiree 1	$4,659.93	$33,425.27	$6,267.48	$82,934.09	$14,979.16
Retiree 2	$34,861.54	$19,967.25	$97,373.80		$32,729.09
Retiree 3	$30,628.17	$89,442.19	$74,155.97		$31,012.69
Retiree 4	$21,905.38	$75,336.69	$74,741.02		$74,927.41
Retiree 5	$22,301.63	$57,641.27	$82,424.11		$67,854.55
Retiree 6	$74,333.18	$95,012.40	$88,885.20		$40,057.54
Retiree 7	$73,635.50		$71,103.24		$94,149.20
Retiree 8	$85,161.89		$55,933.14		
Retiree 9	$86,731.35				
	$434,218.57	$370,825.07	$550,883.96	$82,934.09	$355,709.64

One version of Amherst's recalled history says that the retirement incentive bonus was created around the year 2000 to motivate some retirement-age teachers to consider retiring sooner. Unfortunately, these provisions found their way into the CBA with no end date associated with what was supposed to be a short-term offer. As a result, taxpayers have paid millions of dollars in taxes over the past decades and will continue to do so until 14.4 runs out of grandfathered retirees or until the CBA is reworked. Ironically, the unintended consequence of this may have been to *deter* teachers from retiring until their turn in line for the bonus comes up.

ASD compensation levels rival those of Hanover's, whose educational performance is significantly higher than Amherst's. Their elementary schools achieve 75% and 82% proficiency in math, respectively, whereas ASD's is 65%. Their middle school achieves 64% math proficiency while ASD achieves 43%. Their ELA proficiency scores are 83% and 88%, while ours is 61%. And their middle school ELA proficiency scores are 74% while ours is 41%. Yet we compensate our teachers as they do theirs.

Defining Success Through Longevity Instead of Student Outcomes

The driving factor for compensation in the ASD CBA is longevity – not on measures of how well students are learning and performing. The underlying concept assumes that, if you persist as a teacher, you must be a good teacher as practice makes perfect. So, almost all the aspects of compensation in the AEA CBA are based on time served, not on educational outcomes achieved by the students served. As part of a comprehensive growth model for staff, a robust, thorough, comprehensive performance evaluation system that also accounts for *student performance* is essential.

Even prescribed processes in the CBA governing layoffs reinforce the focus on longevity. Those to be laid off first include the last hired – likely younger, lower paid teachers. Those to be brought back first are the longest serving, highest-paid teachers.

Given this focus on longevity, it is not simply a matter of reducing the costs associated with various CBA articles. If educational outcomes are ever to become linked with compensation, the very fundamentals of the CBA need to be recalibrated.

SECTION 5: ANALYSIS OF THE ASSA COLLECTIVE BARGAINING AGREEMENT

The ASSA agreement covers office managers, administrative assistants, information specialists, office assistants, specialized paraprofessionals, paraprofessionals, head cooks, health assistants, library assistants and school nutrition service workers.

ASSA Salary Schedules

ASSA Medical and Health Insurance and Optional Buyouts

Staff covered under this agreement may choose from a range of health plans for which ASD pays 75-78% of the premiums.

Districts like Hollis, Brookline, Bedford, and Hanover offer plans in which the district contribution can range from 93% to 100% depending on the type of plan chosen. A key difference among these districts is in how they compensate staff who opt out of health insurance coverage.

As part of the ASSA agreement negotiated in 2018, an employee who indicates by September 1 in any year that they will opt out of the district-offered health insurance qualifies for an added benefit. The amount of the benefit depends on the total number of people who opt out. If 21 people or less opt out, they each receive a $1,000 benefit. If 22 people or more opt out, the benefit increases to $5,000 apiece. And, if 31 or more opt out, the benefit increases to $7,500 apiece. The underlying rationale is that it is less expensive to provide the benefit than to pay for insurance, which can cost $8,700-$23,500 per employee per year depending upon the plan.

Other communities offer such buyouts. For example, Brookline offers a $2,000 buyout, and Hanover offers a $1,500 buyout. The problem with the ASSA contract, in our view, is twofold. First, our payout levels are a lot higher than Brookline's and Hanover's.

Second, once a new threshold is hit, it does not reset in the next year. It persists. For example, 27 ASSA members provided notice by September 1, 2021 that they would be taking the Health Insurance Buyout for FY22. The amount paid to each of the 27 members for FY22 was $1,000. However, by hitting the 22+ threshold notice, the benefit qualified ASSA members to receive the increased buyout amount of $5,000 apiece in FY23 and subsequent years.

Over time, should the number of people opting out hit the 31-person threshold, then all members opting out will receive $7,500 per year for every year they opt out thereafter regardless of how many do in any given year. We believe this is inappropriate and recommend that the count reset annually.

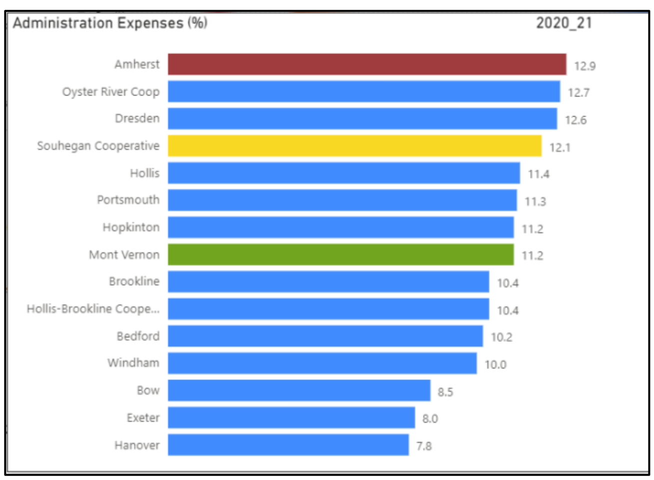
ASSA Retirement/Longevity

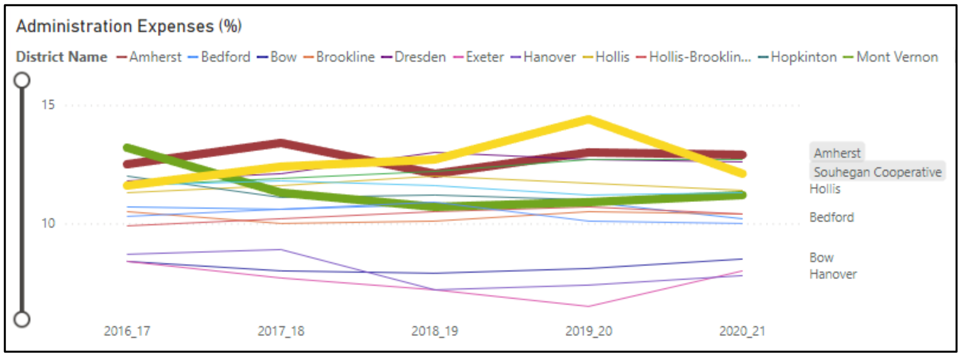
Support staff contracts have a provision for a retirement payout. As an example, a staff member working 175 days under this agreement paid at step 14 on the 2021-22 Salary Schedule A of this agreement would make $17.22 per hour x 7 hours per day for a daily rate of $120.54 per day. Over 175 days, this equals an **annual salary of $21,094.50**. If the same staff member retired at this salary and was eligible for an early retirement bonus, their salary would increase to **$28,094,50** in the year preceding retirement and **$27,094.50** in their final year of service, not including their extra step on the salary scale. So, their final two years of service would include a **33%** raise and a **28%** raise and would retirement benefits.

The ASSA bonus plan is among the most – if not the most – competitive of longevity/retirement bonuses when compared to Hollis, Bedford, and Hanover. Bedford offers a large payment in their contract, but staff are only eligible for it after 20 years.

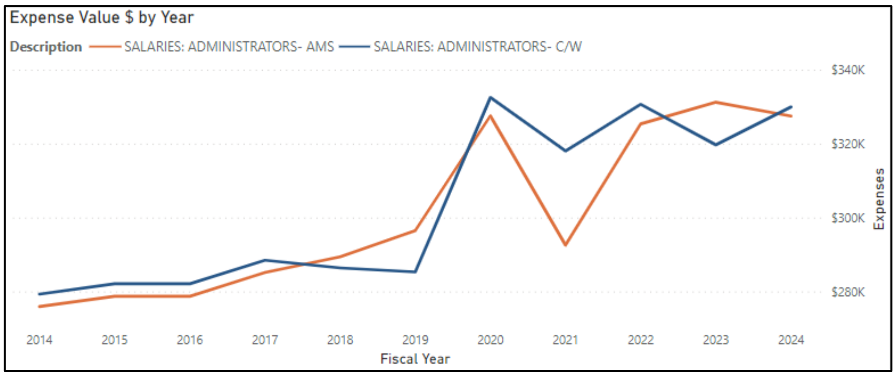
SECTION 6: ANALYSIS OF NON-UNION ADMINISTRATION COSTS

As we discussed elsewhere, the NH Department of Education has created a 15-category financial reporting template that all NH districts use to submit their budgets to the state, which we used to compare costs trends across districts. Under the category of *Administration Expenses* for 2020-21, ASD had the highest Administration Expenses in its peer group (12.9%).





In 2019, the Amherst Middle School and Clark-Wilkins school saw sharp increases in total expenditures of administrator salaries.



This graph only covers salaries, and not benefits, which would generally track with the associated increases in these salaries.

ASD also pays a prorated share to underwrite the costs of SAU 39 ("The Brick School"). ASD will pay approximately $1.6 million next year for those services and support, almost all of which are personnel costs. Those expenses are not listed as part of personnel costs in the ASD budget. Rather, they are listed in a separate category (Capital & Miscellaneous).

The Draft 3 version of ASD's 2024 Proposed Budget asks for $32,403,987. Of that, salary and benefit expenses are $25,630,021 or 79% of the proposed budget. And Non-Union Salary and Benefit Expenses – which are predominantly expenses for administration are $3,072,482 or 12% of the Salary and Benefit Expenses.

	AEA	ASSA	Non-Union	Total
Salary and Benefit Expenses	$17,900,751	$4,656,788	$3,072,482	$25,630,021
	69.8%	18.2%	12.0%	100.0%

Unlike the costs covered under the CBA's, the non-union administrative costs ($3,073,482) proposed in the ASD budget can be more readily managed by the Amherst School Board. Given that our costs in this area are quite high, we believe such attention is merited.

SECTION 7: CONCLUSION

It has taken years to evolve to a school system whose educational outcomes fall below those of peer groups but whose compensation and cost structure rival the top school system in the state. Our budgets, on an All-In CPP basis, are millions of dollars higher than neighboring peer communities that still manage to outperform us academically.

The question often posed to those seeking more sensible spending levels is, “What would you cut?” That is not the right question. As we said earlier, there are not enough non-personnel-related cost categories to trim to get us to financial parity with other districts in a balanced manner. The entire ASD educational system has deformed. The system must be rebalanced with sound, outcomes-oriented strategic plans that focus spending on achieving targeted educational goals while summarily reconfiguring staffing, spending, and the constraints of CBA’s that are so out of step with the educational value our students and community deserve.