SCHOOL ADMINISTRATIVE UNIT 44

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M E M O R A N D U M

DATE: **September 13th, 2026**
TO: **Northwood School Board**
FROM: **Nate Byrne**
RE: **HB 564: Relative to the adoption of school administrative unit budgets.**

Bill Summary:
House Bill 564 proposes significant revisions to the statutory procedures governing the adoption of school administrative unit (SAU) budgets by repealing the alternative budget adoption procedures under RSA 194-C:9-a and 194-C:9-b and removing the single-district exemption under RSA 194-C:3. Under the proposed framework, all SAUs, including single-district units, must adopt an SAU budget before January 1, conduct separate public hearings under RSA 194-C:10, and submit a separate warrant article with an unamendable default/adjusted budget to voters via paper ballot at annual district meetings. Furthermore, the bill defines an "adjusted budget" as the prior year's budget adjusted only for continuing contracts, explicitly barring any pay increases, benefit cost increases associated with pay increases, new positions, or new services. https://legiscan.com/NH/text/HB564/2026

Executive Summary of Concerns:
HB 564 introduces a rigid, separate governance model that fundamentally destabilizes single-district SAUs. In a single-district system, the SAU and the school district share identical boundaries, taxpayers, and governing board; severing central administration from general district operations creates an artificial divide that distorts the true cost of running schools versus operating administrative support. Mandating a separate vote on administrative overhead invites public misconceptions regarding general overhead costs, leaving administrative functions vulnerable to punitive cuts. Most critically, the adjusted budget provision locks administrative staff into stagnant compensation by prohibiting salary increases and accompanying benefit adjustments if the proposed budget is rejected. In an already competitive labor market, capping wages at prior-year levels severely threatens a district's ability to recruit and retain qualified central office personnel, jeopardizing fiscal oversight and organizational stability. Furthermore, due to the stringent time constraints and the impossibility of modifying the warrant article during the deliberative meeting, the SAU is compelled to make projections on increased expenses, which may lead to either an inflated or deficit budget.

Constraints:
The bill enforces an overly narrow and rigid statutory definition of central office personnel that ignores local physical and structural operational realities. RSA 194-C:9 restricts SAU employees to superintendents, assistant superintendents, business administrators, teacher consultants, and central office personnel. In single-district SAUs with severe facility and space limitations inside school buildings, key staff (such as student service director, IT directors, or payroll specialists) are housed within central office facilities out of pure logistical necessity. HB 564 fails to recognize this distinction, risking arbitrary budget categorization, operational confusion, and disputes over whether personnel housed off-site due to space shortages are improperly classified under administrative caps.

Integrity of Operational Obligations:
By imposing a restrictive adjusted (default) budget that freezes compensation and operational capacity, HB 564 puts school districts in direct conflict with their state-mandated obligations. Under New Hampshire law, school districts are legally required to maintain superintendent services (RSA 194-C:4), certified business administrator functions, and comprehensive special education compliance. These essential services cannot legally be curtailed, deferred, or abandoned. Disconnecting the administrative budget from the district/school operating budget jeopardizes the statutory compliance of these required functions, creating substantial exposure to legal challenges, reporting non-compliance, and audits if administrative funding is defeated at the polls.

SAU 44 History:
Prior to the 2022 school year, SAU 44 operated as a multi-district unit serving the towns of Northwood, Nottingham, and Strafford. During the time of the multi-district SAU, an independent operating budget for the SAU was established annually, and each school district's operating budget contained a dedicated SAU assessment line to fund its apportioned share of central administrative costs. During this multi-town tenure, several critical operational positions, specifically payroll, accounts payable, and special education staff, were relocated from the school buildings to the central SAU office to streamline supervision and administrative oversight. In the 2020 and 2021 school years, Nottingham and Strafford exercised their local control, obtained state approval, and voted to withdraw from SAU 44 to establish their own independent single-district SAUs, leaving the Northwood School District as a standalone single-district SAU. Prior to this separation, the centralized SAU office housed up to 16 employees. Following the withdrawal, the Northwood School Board and district leadership aggressively restructured and downsized central office operations to just 5.5 positions. To absorb this dramatic reduction while maintaining full compliance with rigorous state and federal mandates, the remaining staff assumed multiple, cross-functional responsibilities to ensure students continued receiving necessary services without disruption. In addition to the reduction in staffing at the SAU, the rental property was also reduced from three levels to one level.

Additional Steps:
Implementing HB 564 requires unnecessary, complex, and costly bureaucratic hurdles for single-district SAUs:

- **Separation of Budgets:** Districts must unwind cohesive, integrated accounting systems to create separate accounting, auditing, and reporting tracks for the district operating budget and the SAU budget.
- **Separated Hearings:** Local boards must schedule and execute separate budget hearings under RSA 194-C:10 alongside standard school district budget hearings and increasing administrative burden.
- **Separate Balloting and Recount Procedures:** Mandating a dedicated paper ballot vote, distinct tallying procedures, and separate ballot retention/recount processes (RSA 194-C:9, IV) adds administrative friction, creates confusion at polling places, and complicates voting for a single unified electorate.

Closing Statement:
Single-district SAUs were intentionally streamlined under RSA 194-C:3 to reflect the reality of a single, unified governing body and tax base. HB 564 imposes a one-size-fits-all multi-district structure that creates artificial administrative division, increases election and procedural costs, and puts critical central office staffing at serious risk. If legislative intent is focused on cost transparency across multi-town cooperatives, single-district SAUs should retain their statutory exemption under RSA 194-C:3. In its current form, HB 564 is unworkable, administratively burdensome, and detrimental to the operational stability of single-district schools.