

Explaining Chapter 70

Presentation to the Whitman Hanson School
Committee

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ELEMENTARY AND SECONDARY
EDUCATION



Highlights from House 2

- FY17 Chapter 70 (prelim) is \$4.58B
 - \$72M (1.6%) increase from FY16
- Foundation budgets are lowered by an inflation factor of -0.22%.
- The equity component of the formula continues to be phased in. Those communities required to contribute more than their targets will have the gap between their required and target local contributions reduced by 70%.
- All districts receive at least \$20 per pupil in additional aid over the prior year.
- Free and reduced price lunch data is no longer available for all districts as a result of districts' participation in the USDA's Community Eligibility Program. As a result, the foundation budget will now be calculated using economically disadvantaged enrollment in place of formerly available low income enrollment. The rate has changed to reflect the new metric.



Economically Disadvantaged Enrollment in the Foundation Budget

- Free and reduced price lunch data is no longer available for all districts as a result of districts' participation in the USDA's Community Eligibility Program.
- As a result, the foundation budget will now be calculated using economically disadvantaged enrollment in place of formerly available low income enrollment. Most districts have fewer economically disadvantaged students than they had low income students.
 - In FY16, statewide low income enrollment was 376,810 and in FY17, statewide economically disadvantaged enrollment is 312,203.
- This new measure is based on a student's participation in one or more of the following state-administered programs:
 - Supplemental Nutrition Assistance Program (SNAP)
 - Transitional Assistance for Families with Dependent Children (TAFDC)
 - Department of Children and Families' (DCF) foster care program
 - MassHealth (Medicaid)
- Please refer to: [Redefining Low Income - A New Metric for K-12 Education Data](#) for more information.

1/27/2016



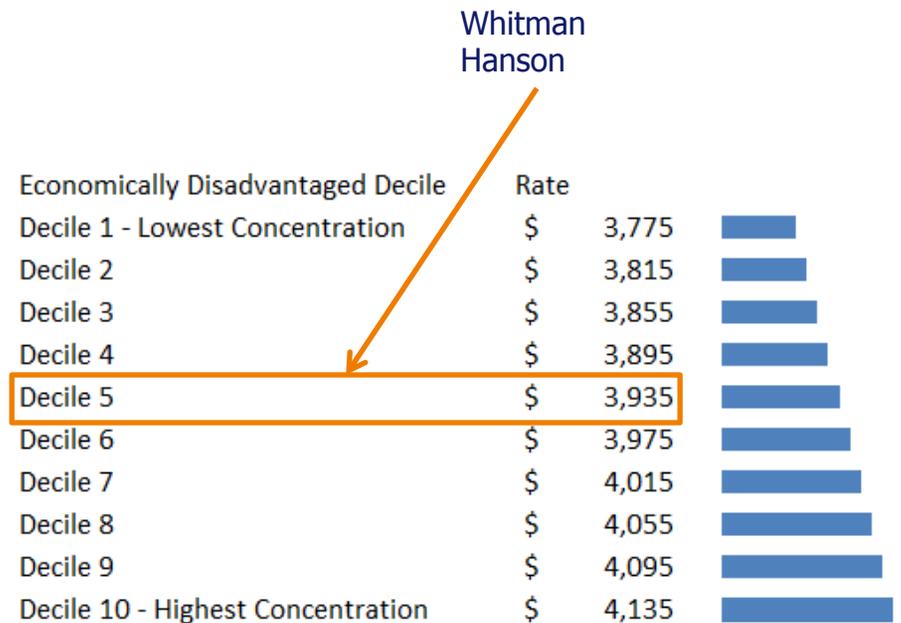
Economically Disadvantaged Enrollment in the Foundation Budget

- To offset the fiscal impact of this lower student count, the foundation budget rates were adjusted.
- The foundation budget rate applied to a district's economically disadvantaged students is based on a district's concentration of those students
 - $\text{Number of economically disadvantaged students} / \text{Foundation headcount} = \% \text{ economically disadvantaged}$
 - Districts are then sorted into deciles based on this calculation.
- Each decile group corresponds to a foundation budget rate



Economically Disadvantaged Enrollment in the Foundation Budget

- The base economically disadvantaged rate is \$3,775.
 - In FY16, the low income rates were \$3,474 and \$2,809.
- Each subsequent decile increases by \$40 increments up to \$4,135 for those districts with the highest concentration of economically disadvantaged students.
- As a result, this component of the foundation budget rose statewide from \$1.236 billion in FY16 to \$1.292 billion in FY17.



Goal of the Chapter 70 formula

- To ensure that every district has sufficient resources to meet its foundation budget spending level, through an equitable combination of local property taxes and state aid.



Chapter 70 aid is determined in three basic steps

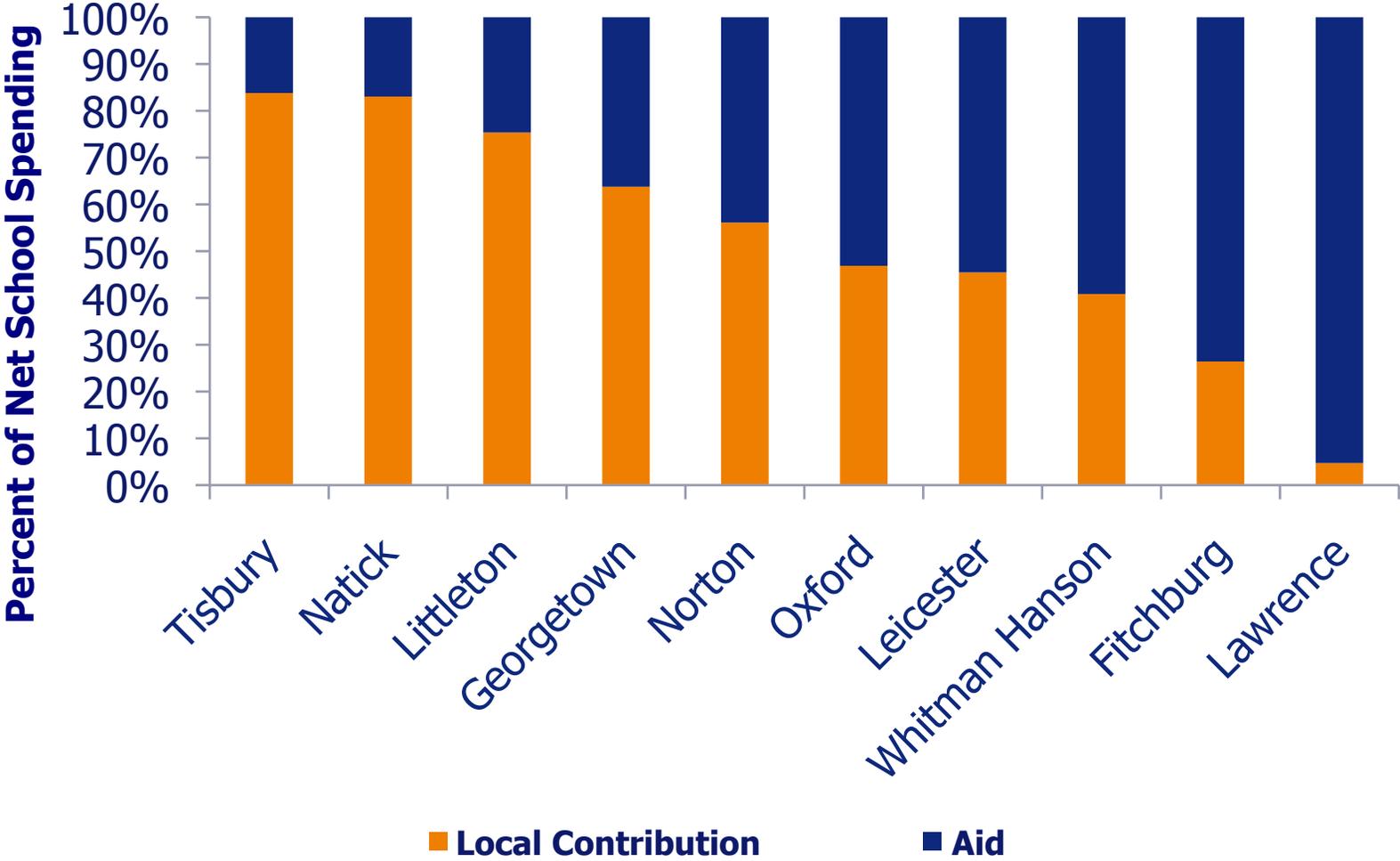
A district's Chapter 70 aid is determined in three basic steps:

1. It defines and calculates a **foundation budget**, an adequate funding level for each district, given the specific grades, programs, and demographic characteristics of its students.
2. It then determines an equitable **local contribution**, how much of that "foundation budget" should be paid for by each city and town's property tax, based upon the relative wealth of the community.
4. The remainder is funded by Chapter 70 **state aid**.

Local Contribution + State Aid = a district's Net School Spending (NSS) requirement. This is the minimum amount that a district must spend to comply with state law.



Districts receive different levels of Chapter 70 aid, because their community's ability to pay differs



Key Factors in School Funding Formula

Foundation Budget

- Enrollment
- Wage Adjustment Factor
- Inflation

Local Contribution

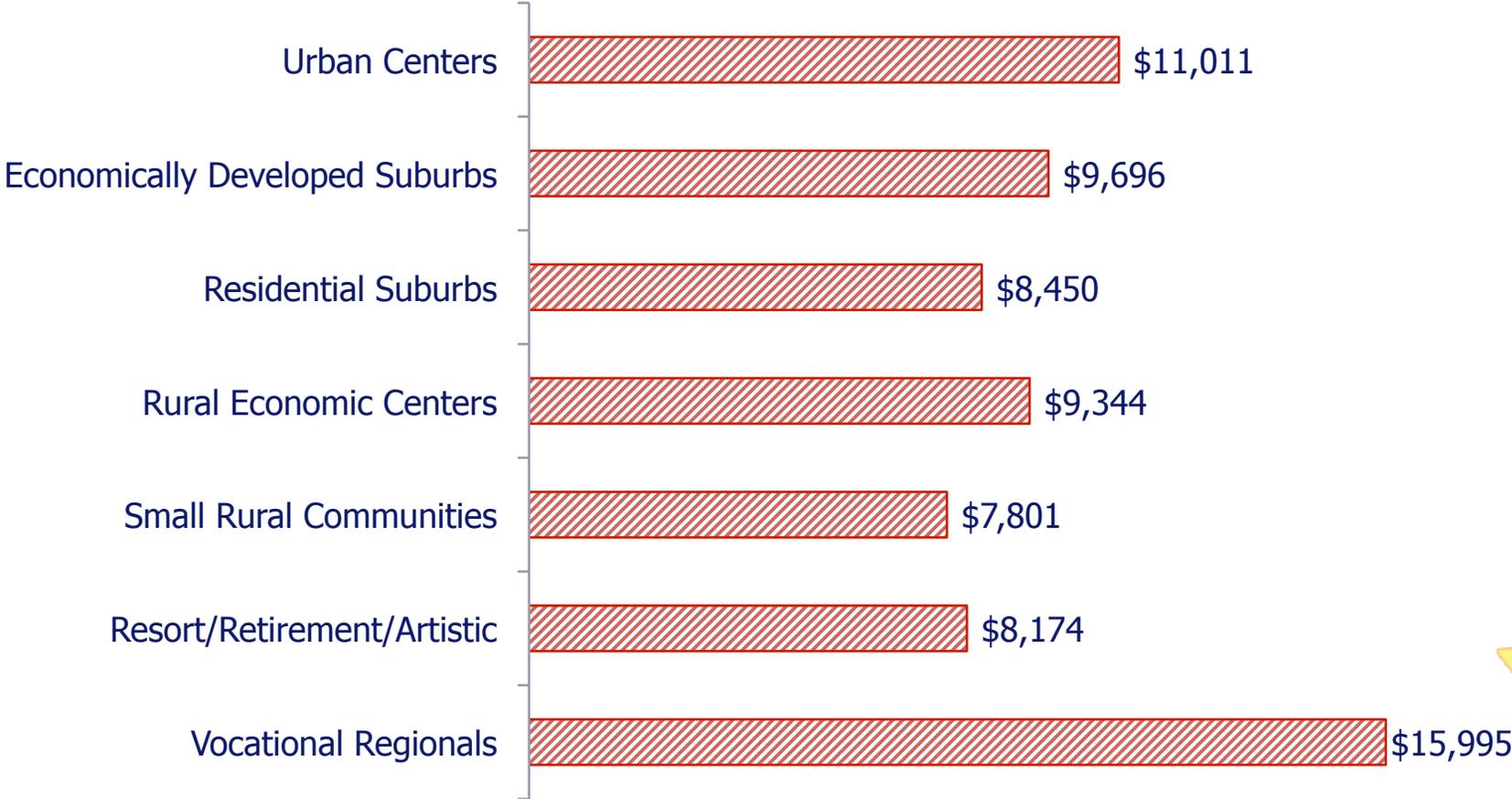
- Property value
- Income
- Municipal Revenue Growth Factor

These six factors work together to determine a district's c70 aid.



Foundation budgets are an indication of student need

FY17 Foundation Budget per Pupil, Average by Type of District



A district's foundation budget is derived by multiplying the number of pupils in 13 enrollment categories by cost rates in 11 functional areas.

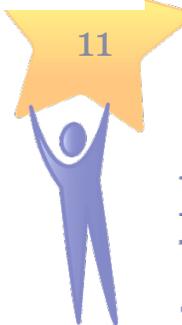
Massachusetts Department of Elementary and Secondary Education
Office of School Finance

FY17 Chapter 70 Foundation Budget

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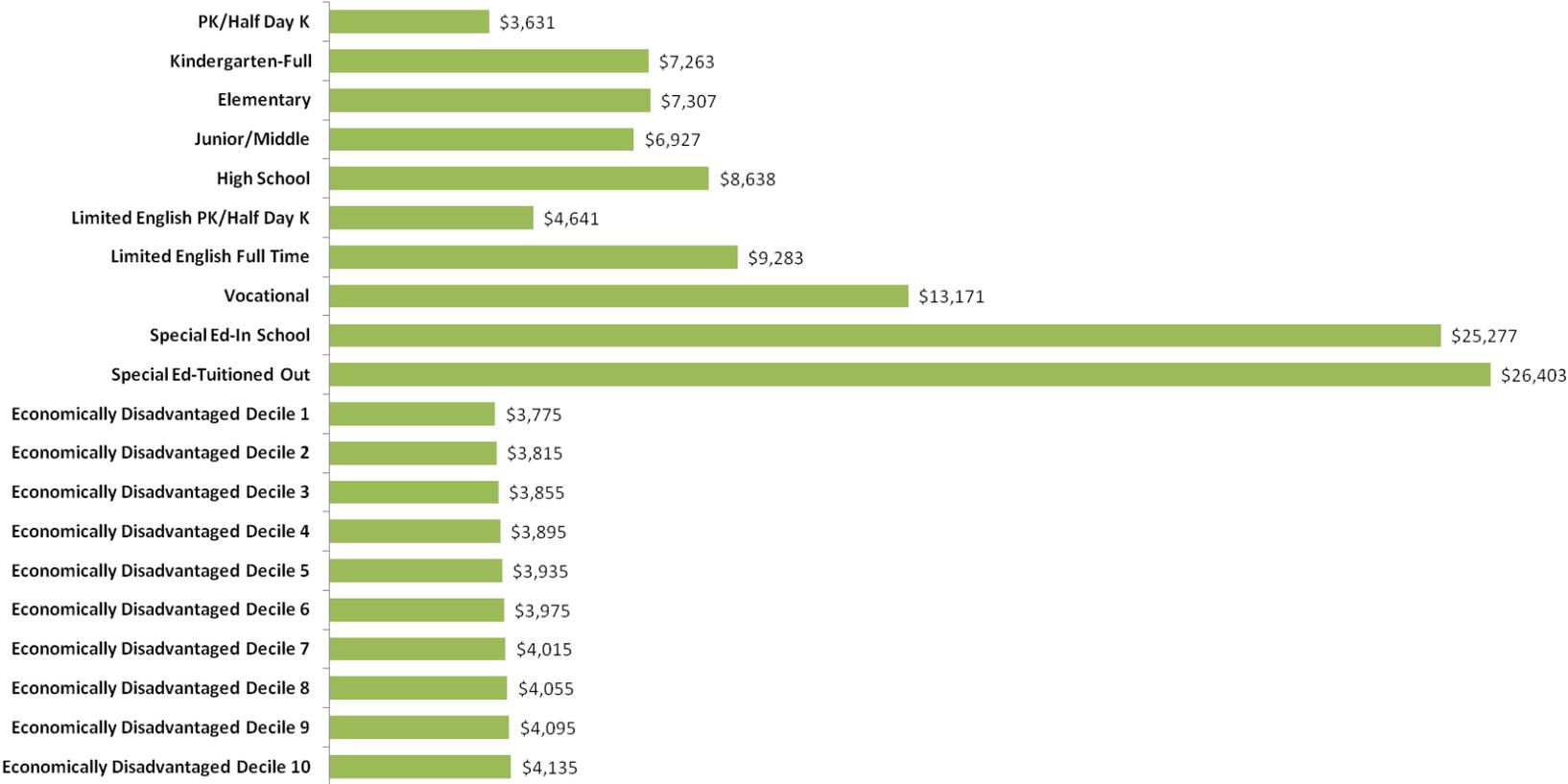
	Base Foundation Components										Incremental Costs Above The Base			TOTAL*
	(1) Pre-School	(2) ----- Kindergarten ----- Half-Day	(3) Full-Day	(4) Elementary	(5) Jr High/ Middle	(6) High School	(7) ELL PK	(8) ELL K Half	(9) ELL KF - 12	(10) Voca- tional	(11) Special Ed In District	(12) Special Ed Out of Dist	(13) Economically Disadvantaged	
Foundation Enrollment	109	255	6	1,522	1,018	1,204	0	0	6	0	146	39	920	3,939
1 Administration	19,839	46,413	2,184	554,008	370,552	438,256	0	0	2,184	0	366,790	97,978	0	1,898,204
2 Instructional Leadership	35,830	83,824	3,945	1,000,593	669,254	791,534	0	0	3,945	0	0	0	0	2,588,924
3 Classroom and Specialist Teachers	164,291	384,351	18,087	4,588,023	2,700,500	4,696,912	0	0	27,240	0	1,210,315	0	2,832,790	16,622,510
4 Other Teaching Services	42,136	98,575	4,639	1,176,750	566,568	557,861	0	0	3,709	0	1,130,055	1,497	0	3,581,790
5 Professional Development	6,497	15,201	716	181,575	131,648	150,970	0	0	969	0	58,385	0	62,348	608,308
6 Instructional Equipment & Tech	23,779	55,631	2,618	664,064	444,164	840,512	0	0	2,618	0	50,961	0	0	2,084,347
7 Guidance and Psychological	11,953	27,963	1,316	333,866	297,246	440,688	0	0	1,752	0	0	0	0	1,114,784
8 Pupil Services	4,755	11,123	524	199,230	217,659	593,608	0	0	785	0	0	0	0	1,027,683
9 Operations and Maintenance	45,622	106,730	5,023	1,274,051	923,855	1,059,436	0	0	6,799	0	409,723	0	437,506	4,268,745
10 Employee Benefits/Fixed Charges	41,124	96,206	4,527	1,148,456	730,354	829,881	0	0	5,695	0	464,166	0	287,555	3,607,964
11 Special Ed Tuition	0	0	0	0	0	0	0	0	0	0	0	930,252	0	930,252
12 Total	395,827	926,017	43,578	11,120,615	7,051,798	10,399,658	0	0	55,696	0	3,690,395	1,029,727	3,620,200	38,333,511
13 Wage Adjustment Factor	100.0%										Foundation Budget per Pupil			9,732
14 Economically Disadvantaged Decile	5													

All of your students are counted in categories 1-10. Special education and low income costs are treated as costs above the base and are captured in 11-13.

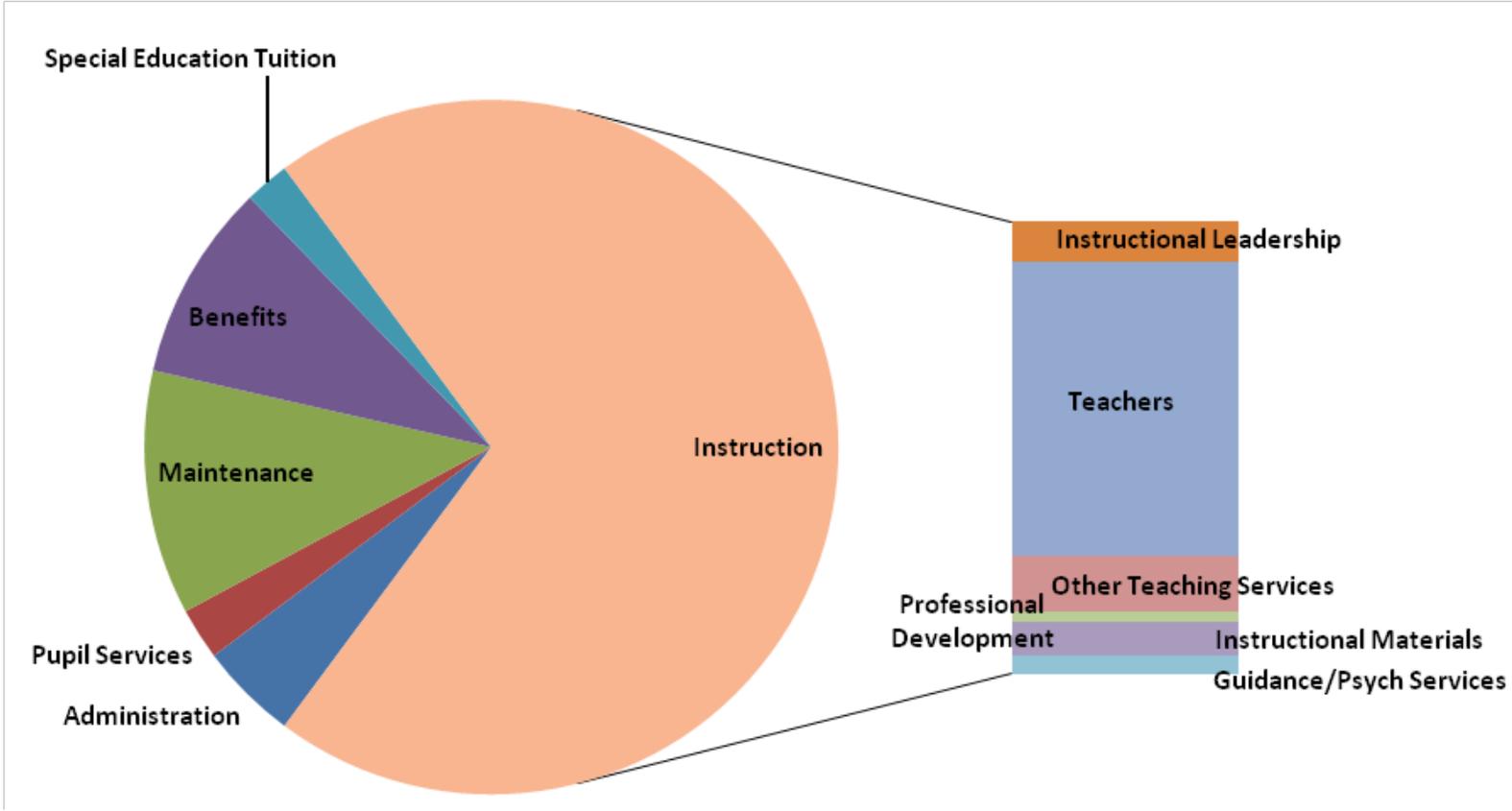


Foundation budget rates reflect differences in the cost of educating different types of students.

FY17 Foundation Budget Rates



Instructional categories comprise 70% of the statewide foundation budget.



Local Contribution

Establishing local ability to pay

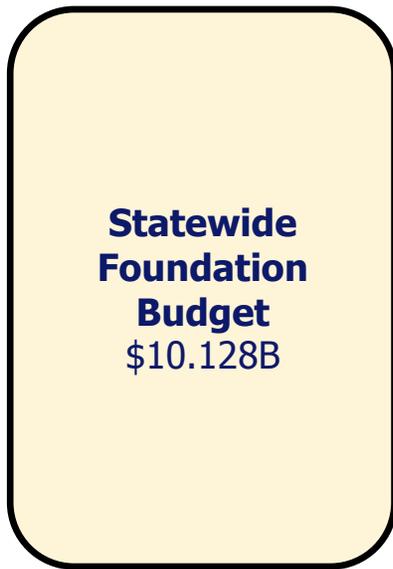
- The foundation budget is a shared municipal-state responsibility.
- Each community has a different **target local share**, or ability to pay, based on its property values and residents' incomes.
- Prior to this policy, required local contributions had become less linked to ability to pay. A process was established in 2007 to move each community from its 2006 baseline to its new target.



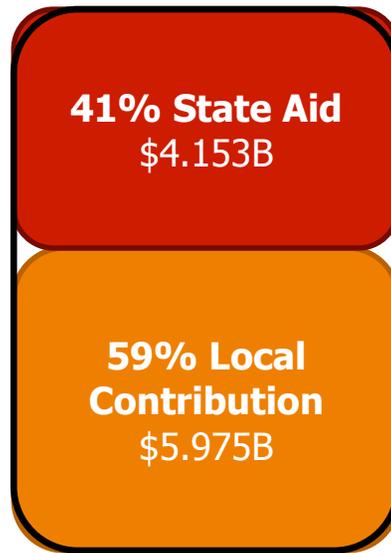
How is the required local contribution calculated?

Determining each community's target local share starts with the local share of statewide foundation.

Calculate **statewide** foundation budget.



Determine local share of **statewide** foundation.



Statewide, determine percentages that yield 1/2 from property and 1/2 from income.



Property and income percentages are applied uniformly across all cities and towns to determine the **combined effort yield** from property and income.



Individual communities' target local shares are based on local property values and income, and foundation budget.

- To determine local effort, first apply this year's property percentage (0.3792%) to the town's 2014 total equalized property valuation
- Then apply this year's income percentage (1.4701%) to the town's 2013 total residential income

Local Property Effort

+ Local Income Effort

= Combined Effort Yield (CEY)

- Target Local Share = CEY/Foundation budget
 - Capped at 82.5% of foundation
 - In FY17, 147 of 351 communities are capped.



Getting Closer To the Target Contribution

Determining the Upcoming Year's Local Contribution

Preliminary Contribution

- Increase last year's required local contribution by the municipality's Municipal Revenue Growth Factor (MRGF)
 - Calculated annually by the Department of Revenue
 - Quantifies the most recent annual percentage change in each community's local revenues, such as the annual increase in the Proposition 2½ levy limit, that should be available for schools

Required Contribution

- If the preliminary contribution is **above** the target, reduce by the effort reduction percent (70% in FY17).
- If the preliminary contribution is **below by less than 2.5%**, the preliminary contribution becomes the new requirement.
- If the preliminary contribution is **below by more than 7.5%**, an additional 2% is added to the preliminary contribution. For those **below by between 2.5 and 7.5%**, 1% is added.

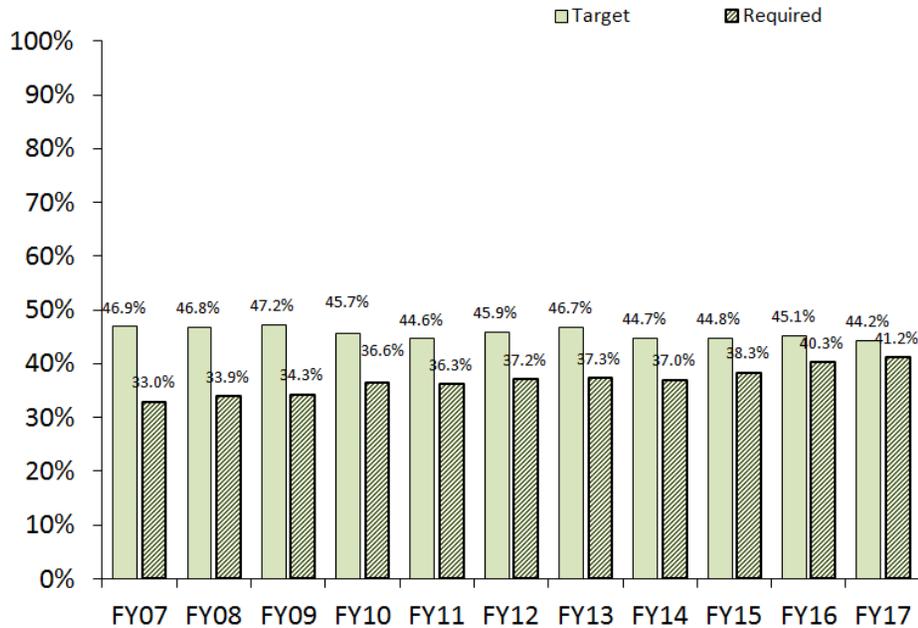


Each community transitions to its target local share at a different pace.

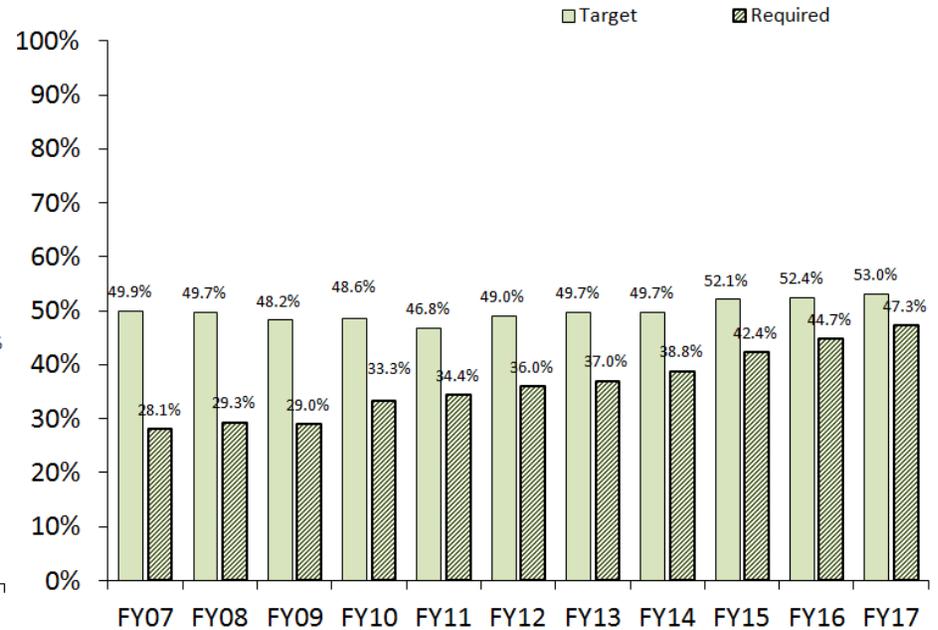
338 Whitman

123 Hanson

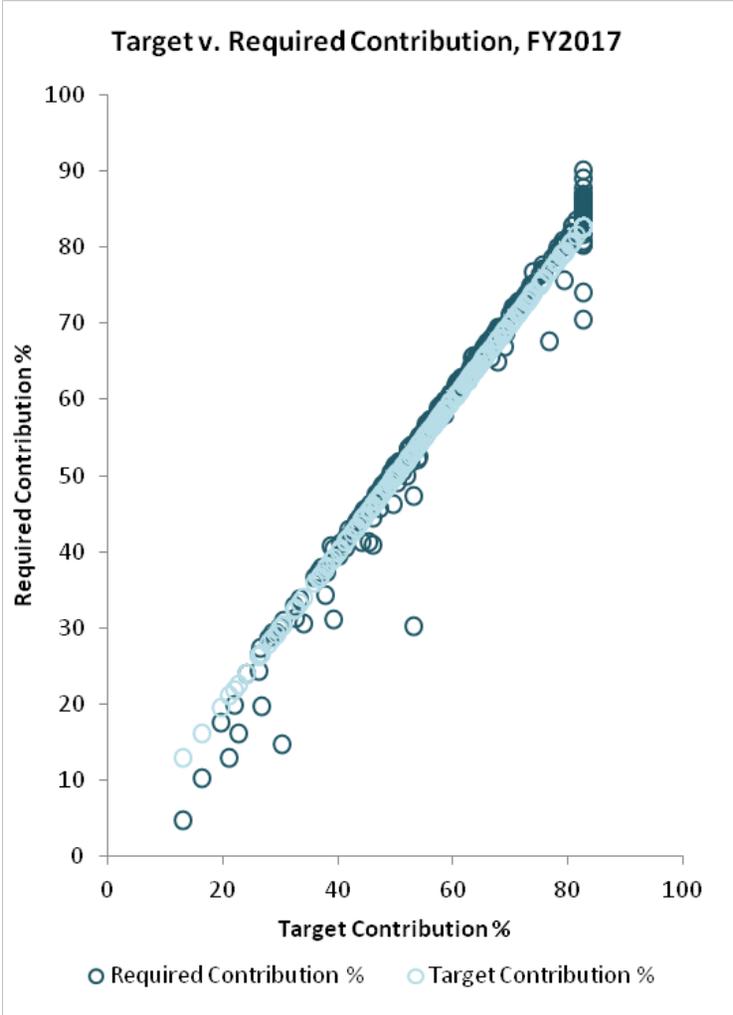
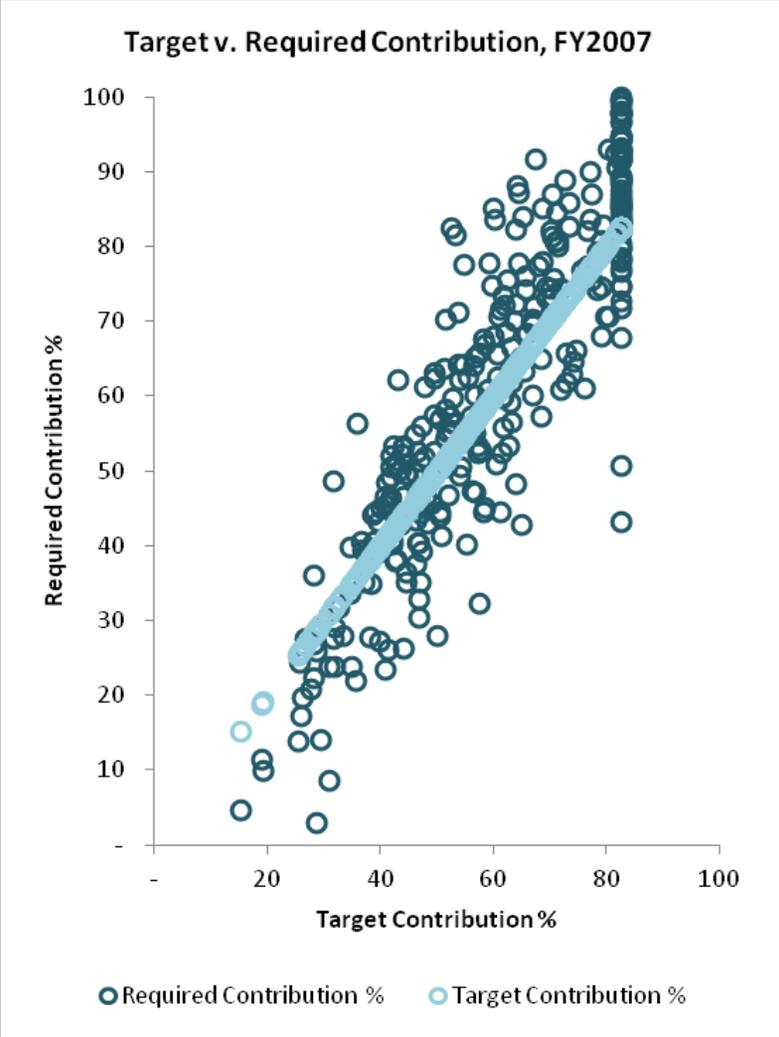
Target and Required Local Contribution Percentages



Target and Required Local Contribution Percentages



Reaching the Targets Over Time All Municipalities



How is the district's required local contribution calculated?
 Once the city or town's required local contribution is calculated, it is allocated among the districts to which it belongs.

**Massachusetts Department of Elementary and Secondary Education
 FY17 Chapter 70**

Apportionment of Local Contribution Across School Districts

338 Whitman	Whitman	Whitman Hanson	South Shore	Combined Total for All Districts
<u>Prior Year Data (for comparison purposes)</u>				
1 FY16 foundation enrollment	9	2,311	114	2,434
2 FY16 foundation budget	118,800	22,342,344	1,792,592	24,253,736
3 Each district's share of municipality's combined FY16 foundation	0.49%	92.12%	7.39%	100.00%
4 FY16 required contribution	47,836	8,996,371	721,805	9,766,012
<u>FY17 apportionment of contribution among community's districts</u>				
5 FY17 total unapportioned required contribution ('municipal contribution' sheet row 19 or 24)				10,197,670
6 FY17 foundation enrollment	9	2,305	138	2,452
7 FY17 foundation budget	118,538	22,432,548	2,182,328	24,733,414
8 Each district's share of municipality's total FY17 foundation	0.48%	90.70%	8.82%	100.00%
9 FY17 Required Contribution	48,874	9,249,015	899,781	10,197,670
10 Change FY17 to FY16 (9 - 4)	1,038	252,644	177,976	431,658



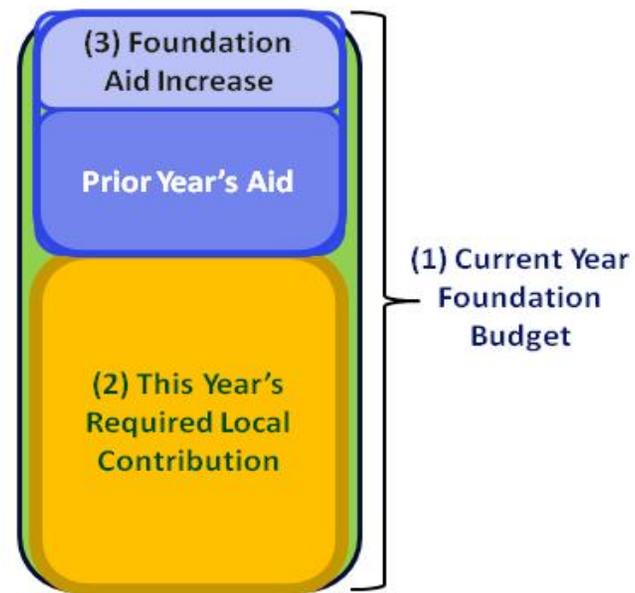
Calculating Chapter 70 Aid

Foundation aid is the core of Chapter 70. It provides additional funding for districts to spend at their foundation budgets.

$$\text{Foundation Budget} - \text{Required Local Contribution} = \text{Foundation Aid}$$

- Start with prior year's aid
 - FY16 c70 (statewide: \$4.511B)
- Add together the prior year's aid and the required local contribution.
- If this year's foundation aid exceeds last year's total Chapter 70 aid, the district receives the amount needed to ensure it meets its foundation budget.
- 78 districts

Chapter 70 in 3 Steps



Calculating Chapter 70 Aid

- Districts are held harmless to the previous year's level of aid.
- In FY17, "minimum aid" is also available.
- District receives at least \$20 per pupil in additional aid over FY16 (249 operating districts).

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Aid Calculation FY17

Prior Year Aid

1 Chapter 70 FY16	24,219,585
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Foundation Aid

2 Foundation budget FY17	38,333,512
3 Required district contribution FY17	16,774,824
4 Foundation aid (2 -3)	21,558,688
5 Increase over FY16 (4 - 1)	0

Minimum Aid

6 Minimum \$20 per pupil increase	78,780
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Non-Operating District Reduction to Foundation

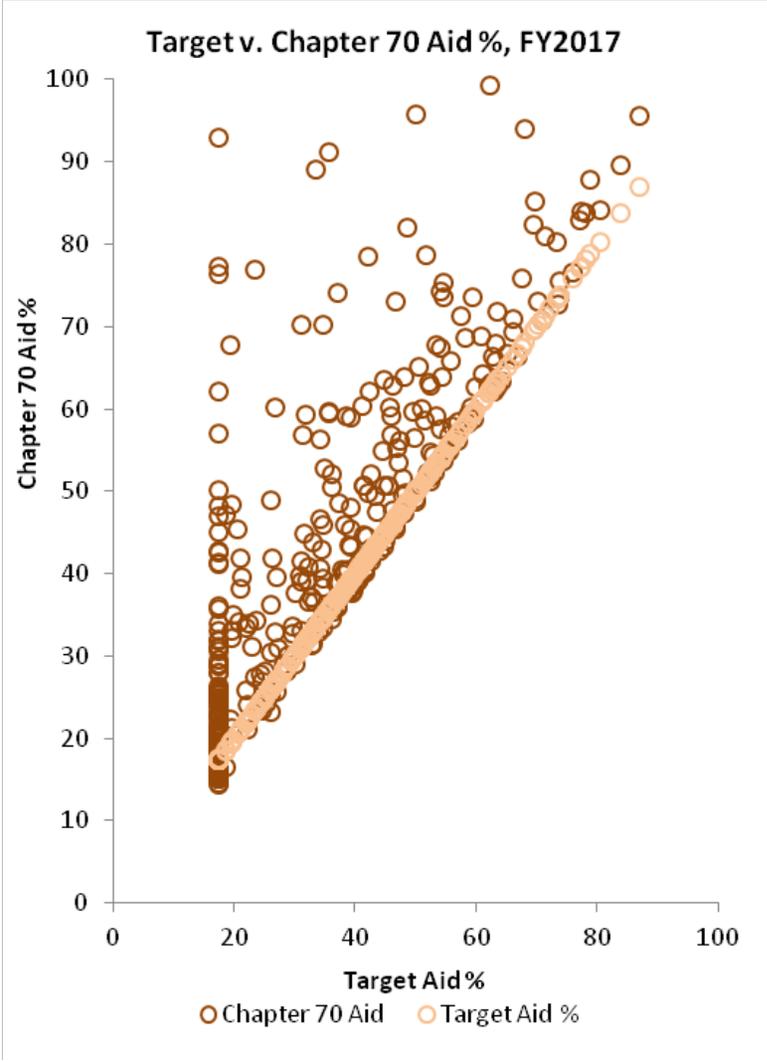
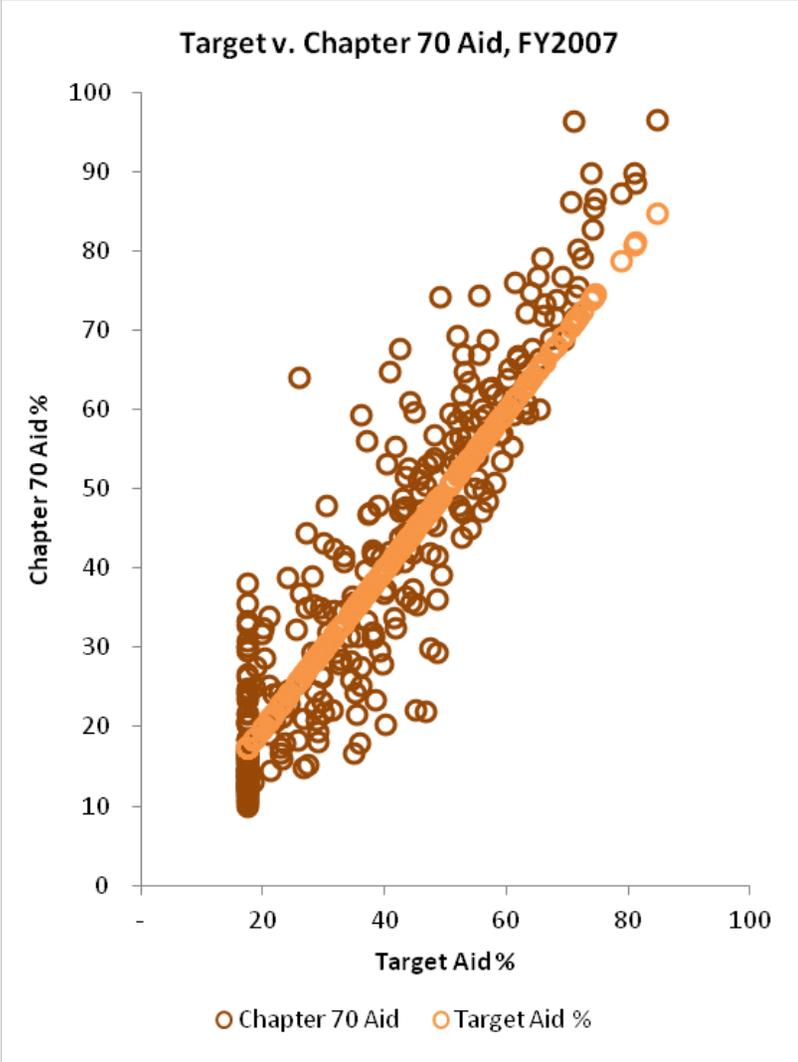
7 Reduction to foundation	0
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FY17 Chapter 70 Aid

8 sum of line 1, 5 minus 7	24,298,365
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Progress towards Target Aid Shares All Districts



Chapter 70 Website

<http://www.doe.mass.edu/finance/chapter70/>

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School Finance

Chapter 70 Program

The Chapter 70 program is the major program of state aid to public elementary and secondary schools. In addition to providing state aid to support school operations, it also establishes minimum spending requirements for each school district and minimum requirements for each municipality's share of school costs.

Chapter 70 Legislation & Regulation

- Legislation
- Regulations
- Compliance With Net School Spending Requirements
- Retiree Health Insurance and Section 260 of the FY'15 State Budget
- How the foundation budget is calculated
- How foundation enrollment is calculated
- Chapter 70 district profiles
The on-line Chapter 70 database shows, for each school district, yearly spending and state aid totals in comparison to the foundation budget. Trend data is available for each year going back to FY93.

Chapter 70 State Aid and Spending Requirement

07/17/15	FY16 Chapter 70 Aid and Net School Spending Requirements
03/04/15	FY16 Preliminary Chapter 70 Aid and Net School Spending Requirements
07/11/14	FY15 Chapter 70 Aid and Net School Spending Requirements
03/17/14	FY15 Legislative Local Aid Resolution
01/22/14	FY15 Preliminary Chapter 70 Aid and Net School Spending Requirements

1/27/2016



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