

Chapter 70

Massachusetts School Funding Formula

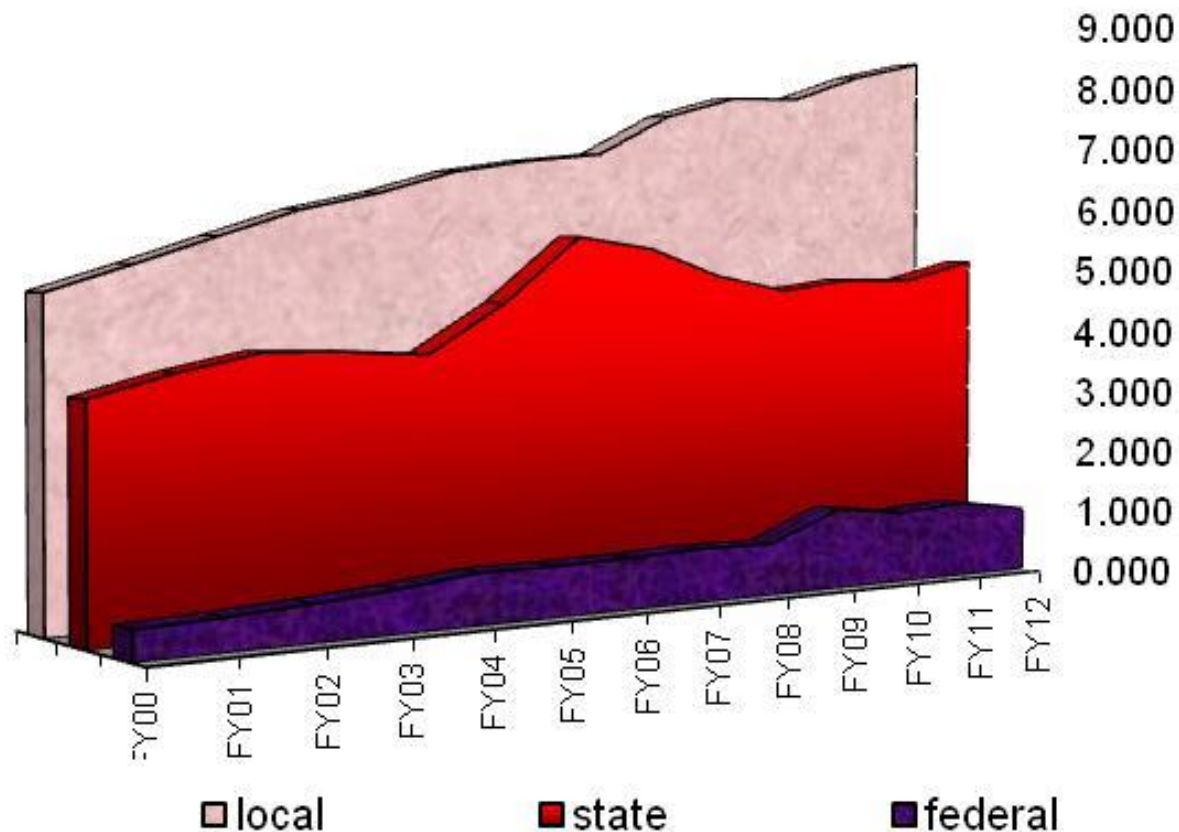
Briefing to Joint Committee on Education
July 24, 2013

MASSACHUSETTS DEPARTMENT OF
ELEMENTARY AND SECONDARY
EDUCATION

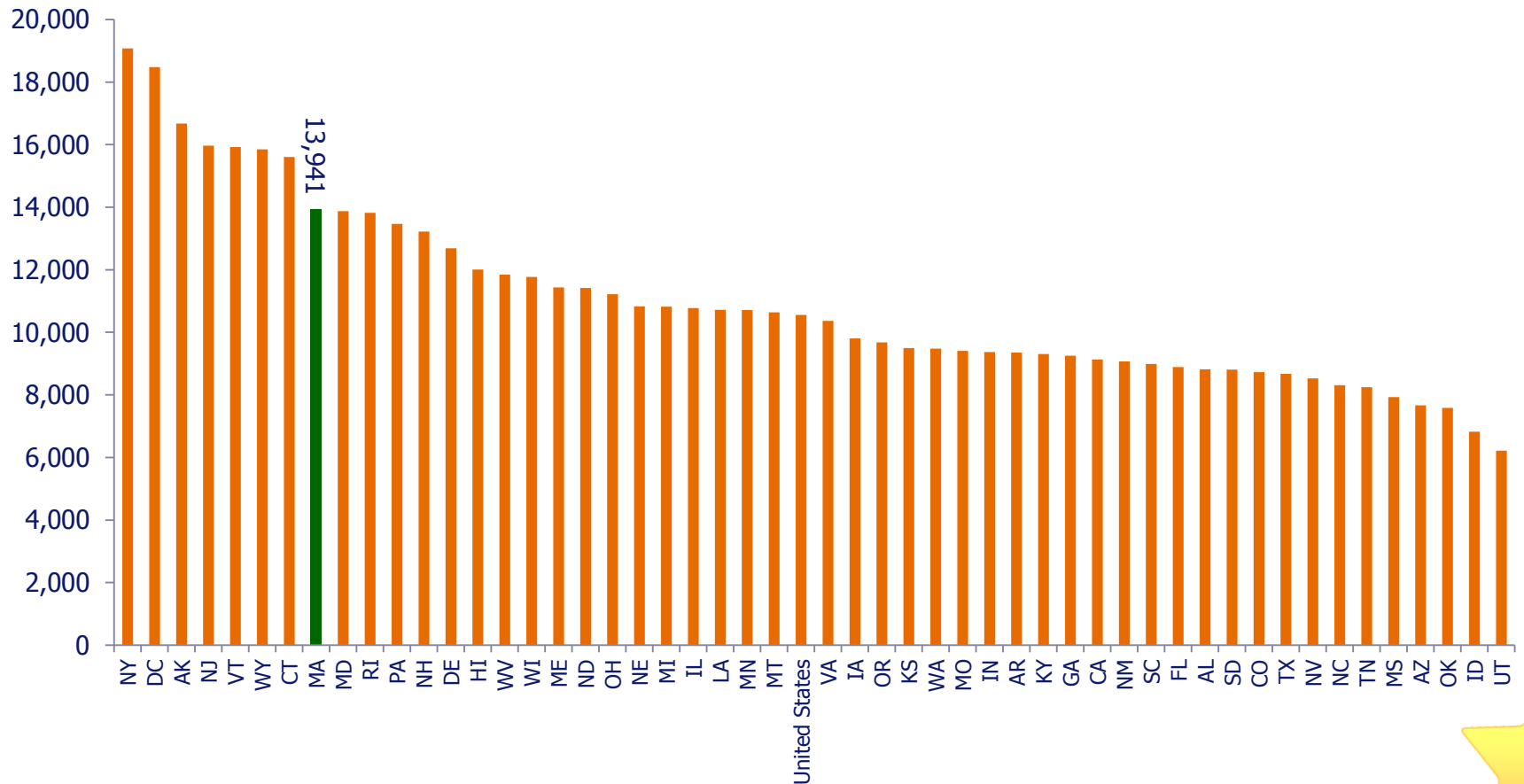


Massachusetts School Revenues FY00-FY12

(in billions)



Per Pupil Spending by State, FY11

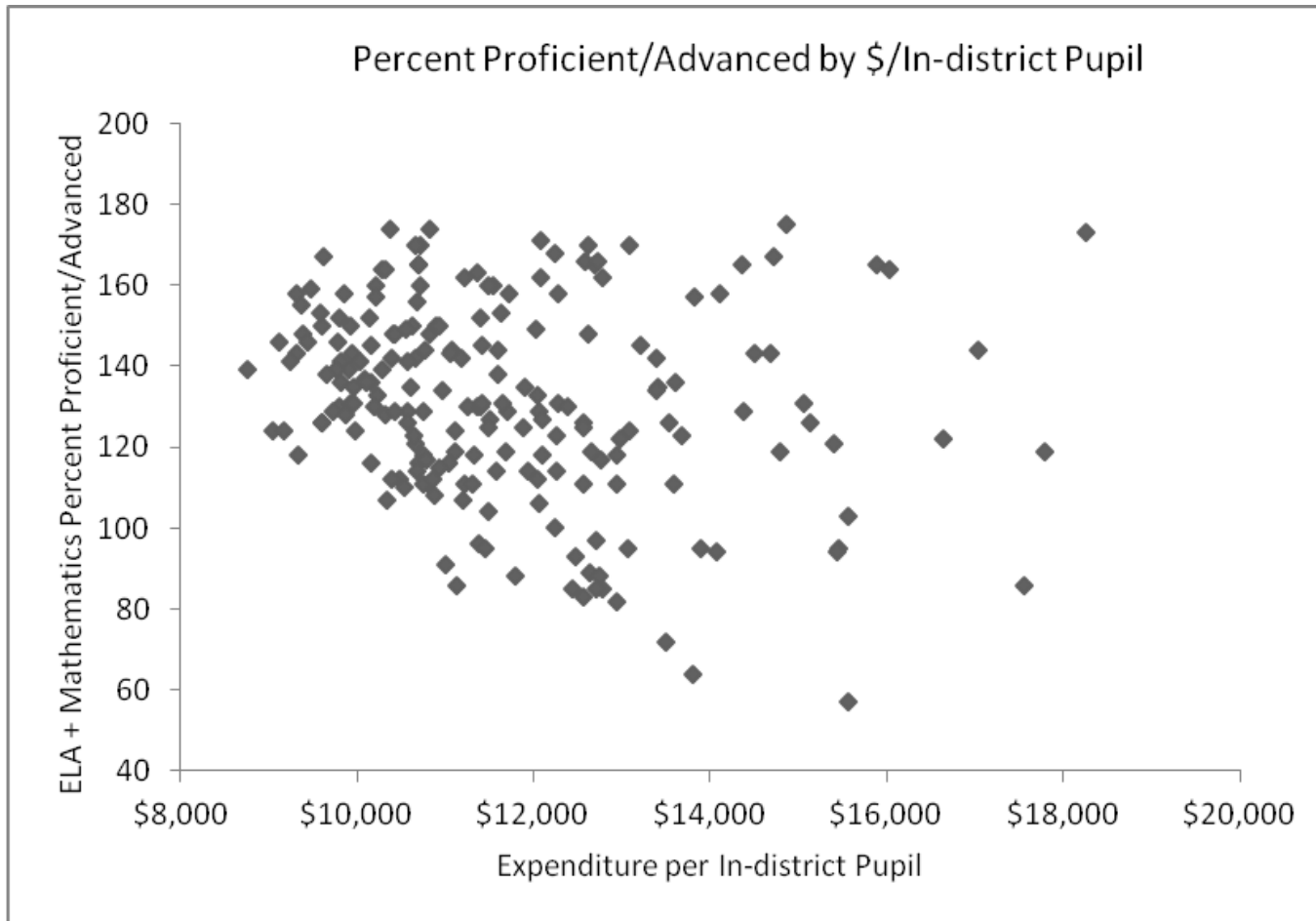


U.S. Census Bureau, Table 8: Per Pupil Amounts for Current Spending of Public Elementary-Secondary School Systems by State: Fiscal Year 2011

7/24/2013



Fiscal resources and student learning outcomes



The range of spending at every level of achievement is wide.



Chapter 70 is the Commonwealth's school funding statute

It is the intention of the general court, subject to appropriation, to assure fair and adequate minimum per student funding for public schools in the commonwealth by defining a foundation budget and a standard of local funding effort applicable to every city and town in the commonwealth.

Chapter 70, Section 1

The statute seeks to ensure adequate and equitable school funding for all Massachusetts public school students.

Adequacy

That every district be provided with sufficient resources to prepare all students to succeed

Equity

That the state and local shares of school funding be determined consistently with regard to local capacity to fund schools



Chapter 70 is the Commonwealth's school funding statute

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.
3. The remainder is funded by Chapter 70 (c70) **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.



Recent Milestones in Chapter 70

1993: *McDuffy* decision

Established the state constitutional standards for education reform

2005: *Hancock* decision

Found that the Commonwealth is meeting its duty under the state constitution.

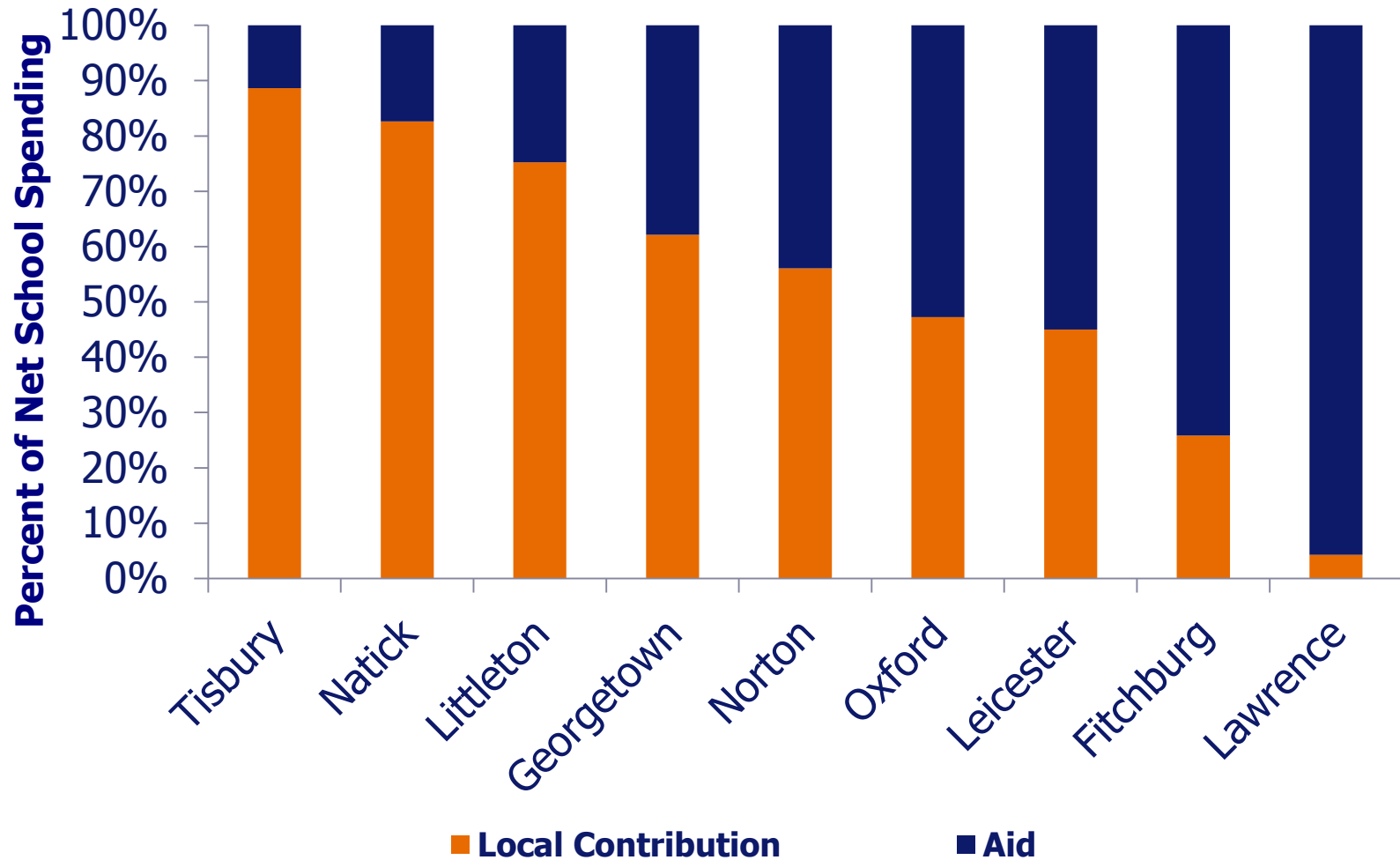
1993: Ed Reform Act

Established foundation budget and "gross standard" of effort.

2007: Reform of local contribution and transition to **Aggregate Wealth Model.**



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

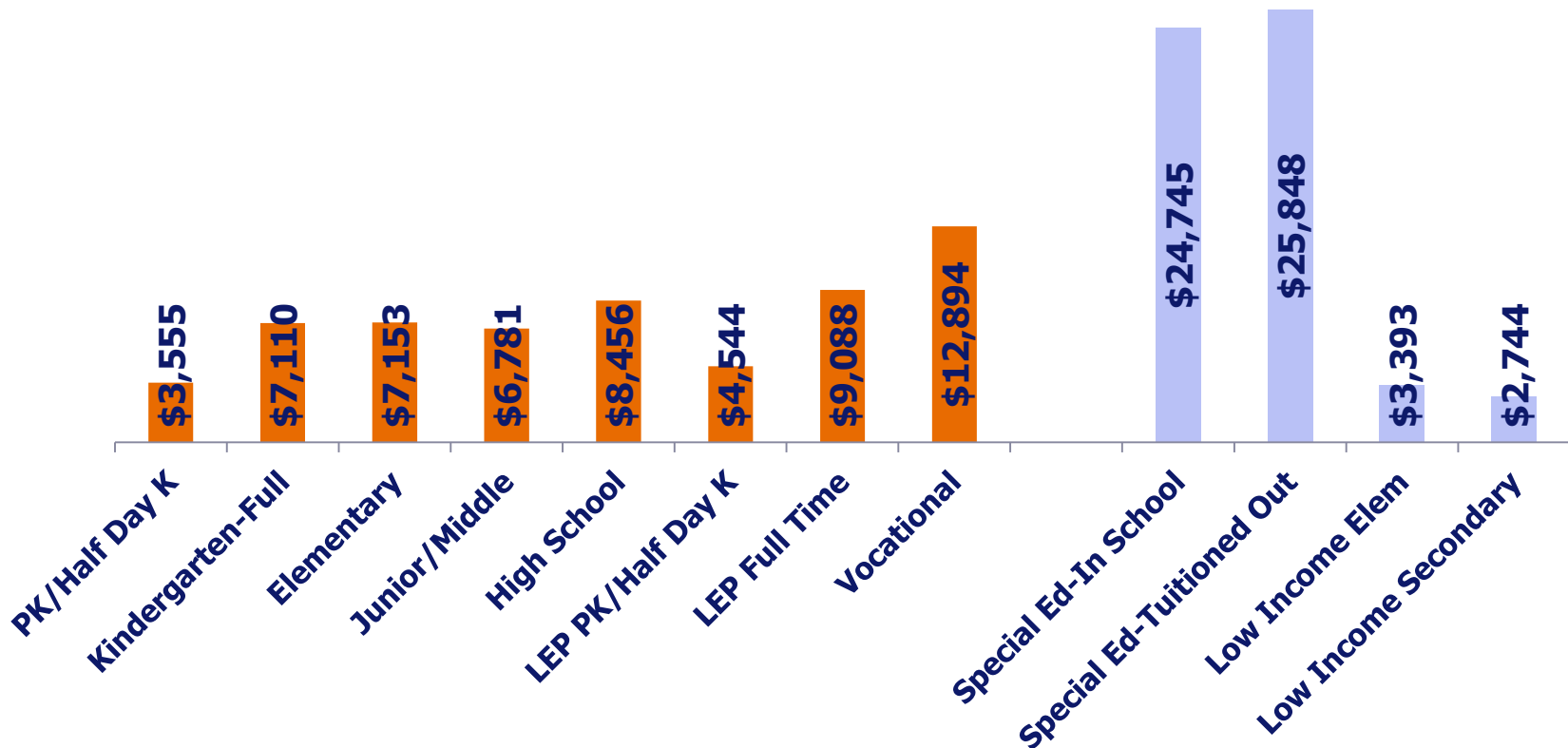
- Property value
- Income
- Municipal Revenue Growth Factor

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



Foundation Budget

FY14 Foundation Rates per Pupil

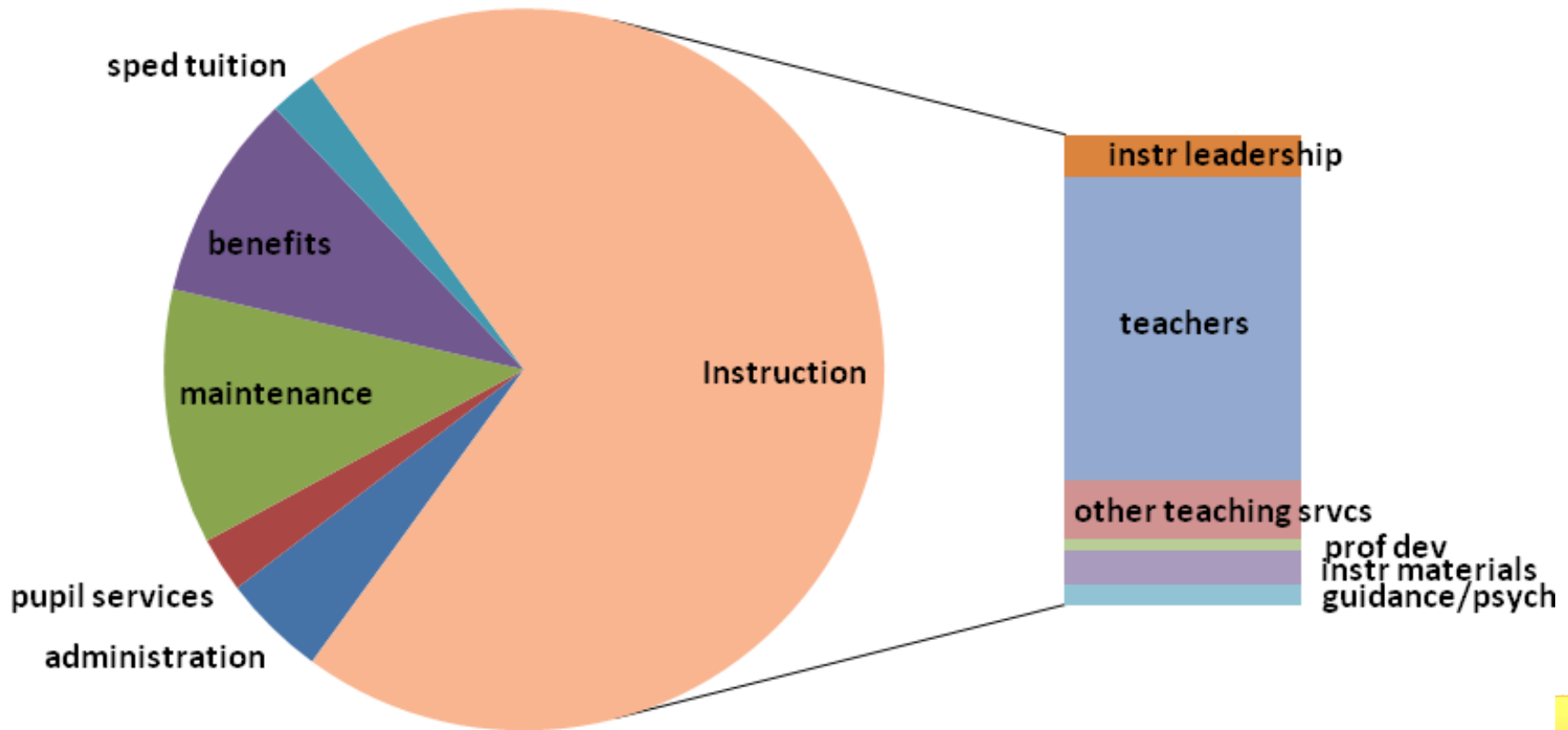


Average Foundation Rate is \$10,352 per pupil.



Foundation Budget

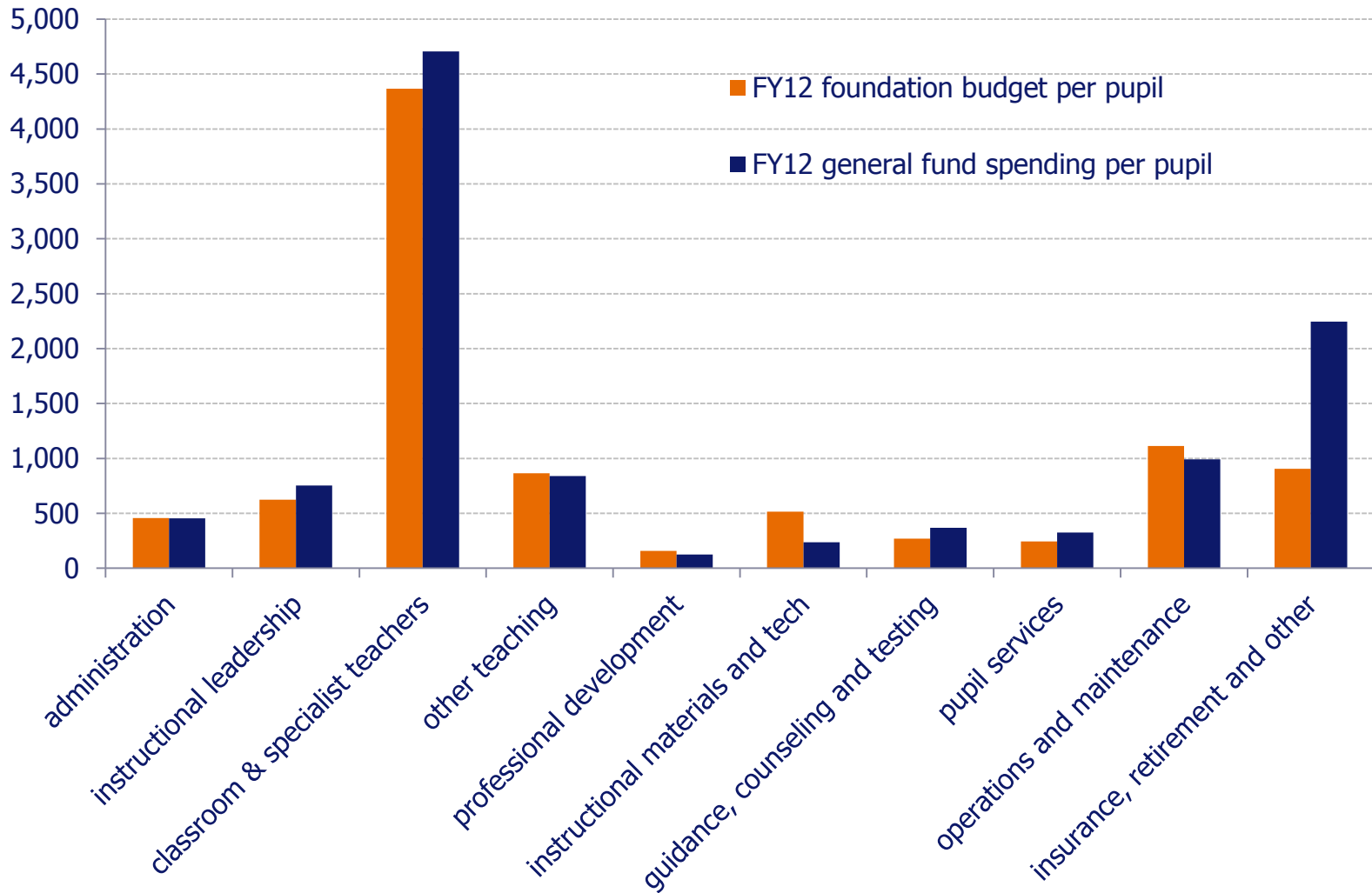
FY14 Statewide Foundation Budget by Spending Category



Sixty-nine percent of statewide foundation is instructional in nature.



General Fund Expenditures Compared to the Foundation Budget



Local Contribution

Calculating Target Local Share

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.

1. Determining each community's target local share starts with the local share of statewide foundation (59%).
 - From this, property(0.3557%) and income(1.5441%) percentages are calculated and applied uniformly across all cities and towns to determine the **combined effort yield** from property and income.
2. Individual communities' target local shares are based on local property values and income, and foundation budget.
 - Target local shares vary from 13.5% to the maximum of 82.5% of foundation.
 - In FY14, 129 of 351 communities are capped at 82.5%.



Getting Closer To the Target Contribution

Determining the Upcoming Year's Required Local Contribution

A process was established in 2007 to move each community from its 2006 baseline to its new target. Chapter 70 (FY14) continues the transition towards the local contribution and aid targets.

1. Calculate the **Preliminary Contribution**.

- Last year's required local contribution multiplied by the municipality's Municipal Revenue Growth Factor (MRGF)

2. Using the Preliminary Contribution and Target Local Share, calculate the **Required Local Contribution**.

- For communities required to contribute **more** than their targets, reduce the gap by a percentage (15% in FY14). **255** communities with required excess effort are reduced by **15%** of that excess, amounting to **\$35 million** in lower required contributions compared to preliminary figures.
- For communities required to contribute **less** by greater than 5%, add an percent increment. **96** communities have required contributions below their targets, and are moved closer by their MRGFs, plus an additional 1% if below by 5 to 10% (n=25), or an additional 2% if below by more than 10% (n=8). Additional contributions total **\$3.8 million**.

3. Allocate the city or town's required local contribution among the districts in which it is a member, based upon the share of it's total foundation budget.



**Massachusetts Department of Elementary and Secondary Education
Determination of City and Town Total Required Contribution FY14**

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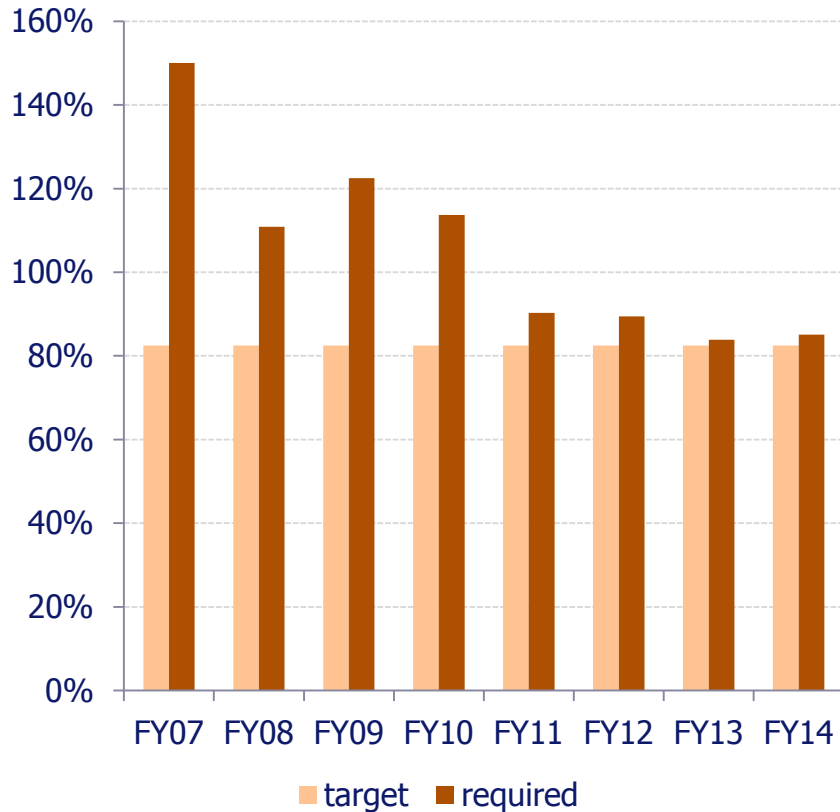
<u>Effort Goal</u>		<u>FY14 Increments Toward Goal</u>	
1) 2012 equalized valuation	7,846,077,200	13) Required local contribution FY13	63,794,168
2) Property percentage	0.3557%	14) Municipal revenue growth factor (DOR)	3.27%
3) Local effort from property wealth	27,911,070	15) FY14 preliminary contribution (13 x 14)	65,880,237
		16) Preliminary contribution pct of foundation (15/8)	67.11%
4) 2010 income	2,021,621,000	<i>If preliminary contribution is above the target share:</i>	
5) Income percentage	1.5441%	17) Excess local effort (15 - 10)	6,753,538
6) Local effort from income	31,215,629	18) 15% reduction toward target (17 x 15%)	1,013,031
7) Combined effort yield (row 3+ row 6)	59,126,699	19) FY14 required local contribution (15 - 18), capped at 1	64,867,206
		20) Contribution as percentage of foundation (19 / 8)	66.08
8) Foundation budget FY14	98,171,575	<i>If preliminary contribution is below the target share:</i>	
9) Maximum local contribution (82.5% * row 8)	80,991,550	21) Shortfall from target local share (11 - 16)	
10) Target local contribution (lesser of row 7 or row 9)	59,126,699	22) Added increment toward target (13 x 1% or 2%)*	
		*1% if shortfall is between 5% and 10%; 2% if shortfall > 10%	
11) Target local share (row 10 as % of row 8)	60.23%	23) Shortfall from target after adding increment (10 - 15 -	
12) Target aid share (100% minus row 11)	39.77%	24) FY14 required local contribution (15 + 22)	
		25) Contribution as percentage of foundation (24 / 8)	



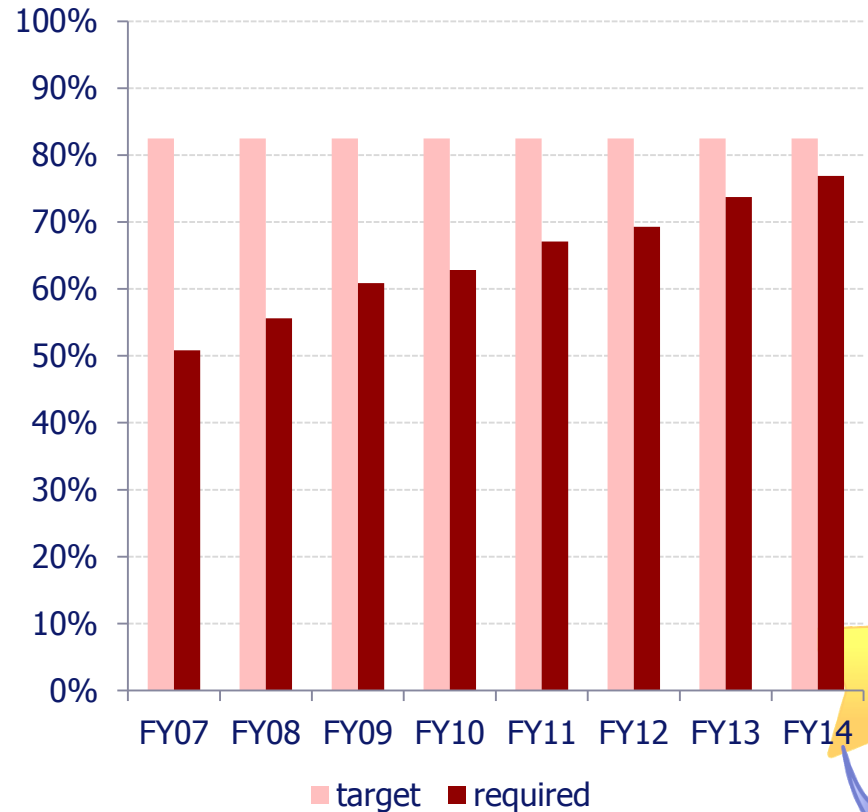
Reaching the Targets Over Time

Target & Required Local Contribution Percentages

Town of Rowe

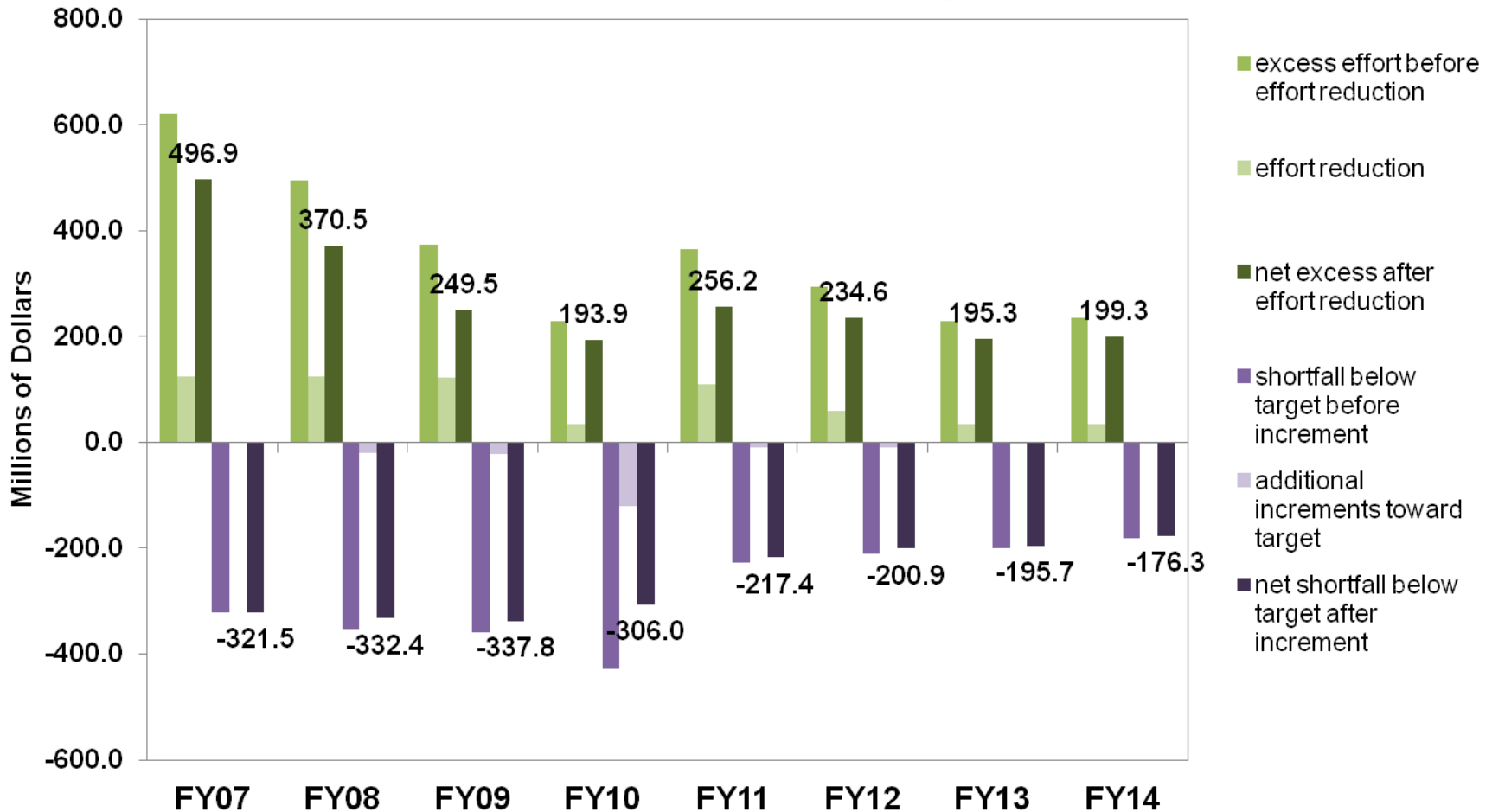


Town of West Newbury



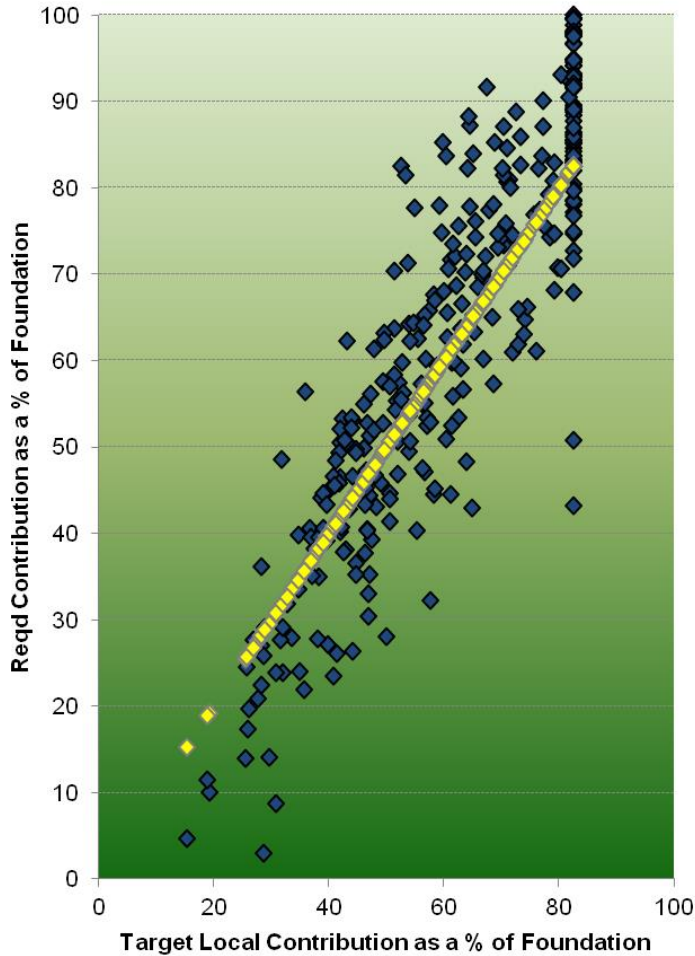
Progress Toward Target Contributions

Chapter 70 Minimum Local Contributions Amounts Above and Below Targets



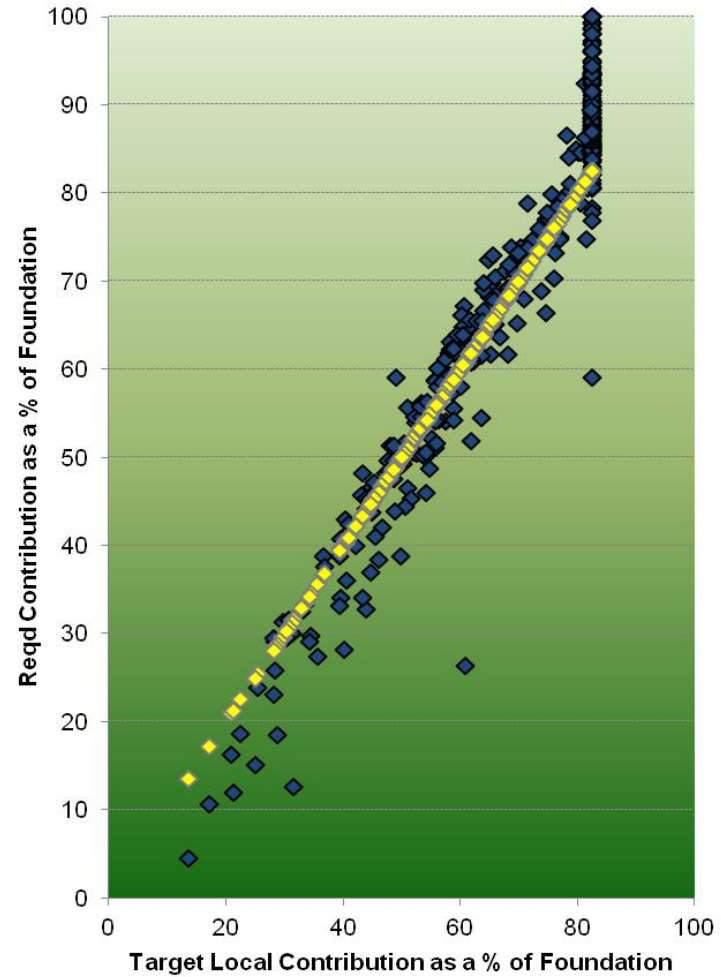
Progress Toward Target Contributions

FY07: 1st Year



◆ FY07 Req'd Contribution ◆ FY07 Target Local Contribution

FY14: 8th Year



◆ FY14 Req'd Contribution ◆ FY14 Target Local Contribution

7/24/2013



Calculating Chapter 70 Aid

- Start with prior year's aid, and add newly calculated required local contribution (Row 1 and 3).
 - FY13 c70 (statewide: \$4.173B)
- If the combined amount is less than foundation budget:
 - **Foundation aid** provides additional funding for districts to spend at foundation levels (Row 4).
 - 73 operating districts
- If it is greater than foundation budget:
 - **Chapter 70 aid** is held harmless at the prior year's level.
- If the district's combined effort yield as a percent of foundation budget is less than 140%, and it receives less than its target aid share:
 - **Target aid phase-in** provides **25%** of the difference between their target aid share and their Chapter 70 aid share.
 - 104 operating districts
- District receives at least \$25 per pupil in additional aid over FY13 (203 operating districts).

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Aid Calculation FY14

Prior Year Aid

1 Chapter 70 FY13	13,546,899
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Foundation Aid

2 Foundation budget FY14	51,154,368
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3 Required district contribution FY14	37,491,319
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4 Foundation aid (2 -3)	13,663,049
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5 Increase over FY13 (4 - 1)	116,150
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6 Target aid (Target aid share x row 2)	14,466,455
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7 Combined Effort Yield % of Fnd	71.72%
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8 Target aid phase-in (6-1+5) x .25%	200,852
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9 Minimum \$25 per pupil increase	0
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Non-Operating District Reduction to Foundation

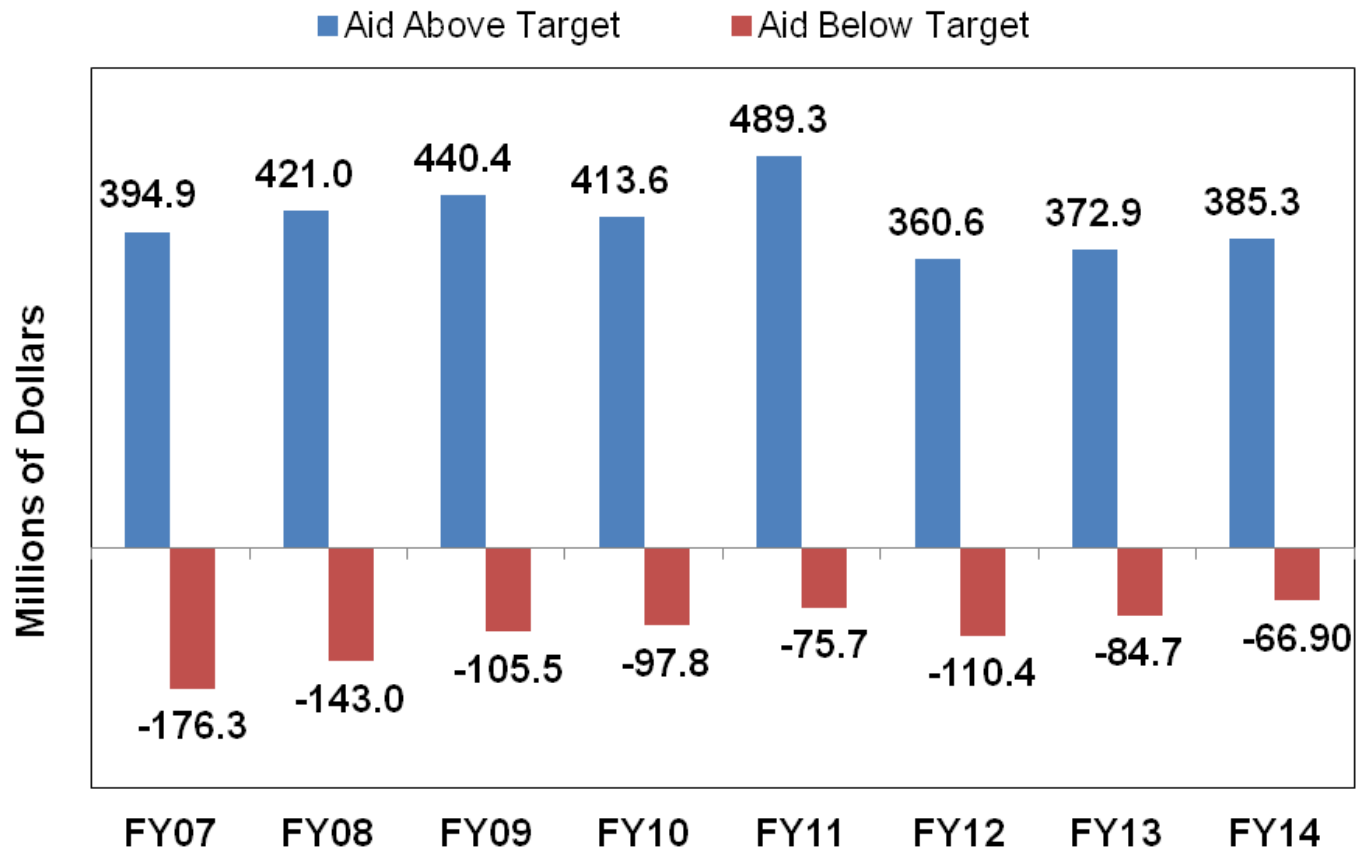
10 Reduction to foundation	0
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FY14 Chapter 70 Aid

11 sum of line 1, 5, 8 and 9 minus 7	13,863,901
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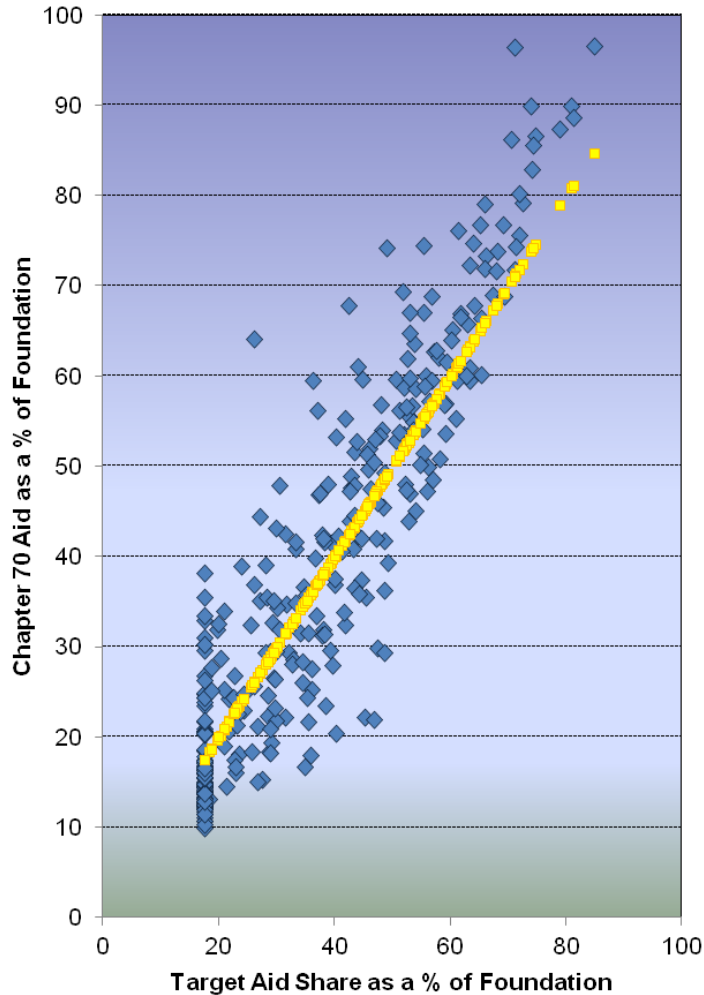
Progress Toward Target Aid Share

Chapter 70 Aid, SFSF, and EduJobs Amounts Above and Below Target



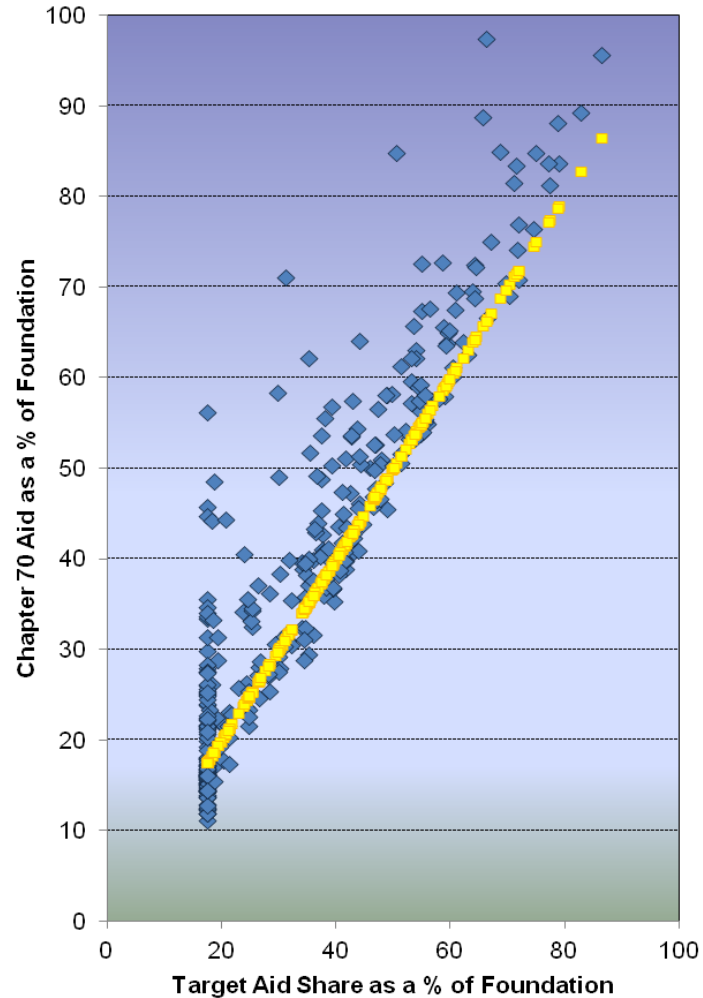
Progress Toward Target Aid Share

FY07: 1st Year



◆ FY07 Chapter 70 % of Foundation ■ FY07 Target Aid %

FY14: 8th Year



◆ FY14 Chapter 70 % of Foundation ■ FY14 Target Aid %

7/24/2013



Net School Spending v. Actual NSS

Net School Spending (NSS)

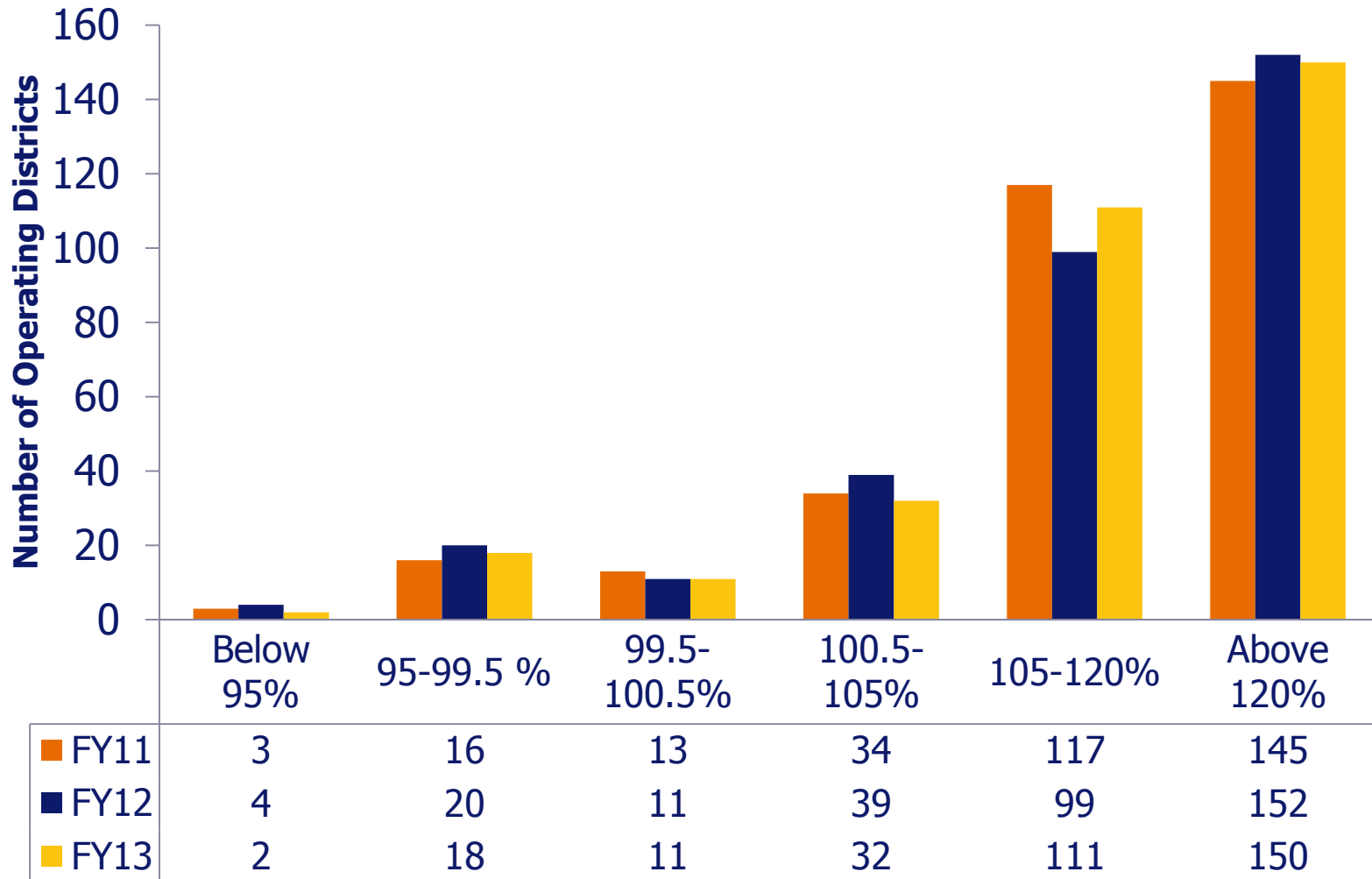
- Chapter 70 Aid
- + Required Local Contribution
District's NSS Requirement
- NSS requirement is legal funding obligation for each district.
 - Remains fully in effect and will be enforced
 - Aid penalties result from non-compliance

“Actual” NSS

- Computed each year from each district's End of Year Financial Report
 - Includes operating expenditures
 - Includes municipal indirect costs such as insurance, maintenance and administration
 - Excludes non-appropriated funds such as grants and revolving funds
 - Excludes capital spending



Most Districts Spend in Excess of Their Net School Spending Requirement



Chapter 70 – Looking to the Future

- Proposed foundation review commission/adequacy study
- Formula changes already identified
 - Finish implementation of aggregate wealth model – taxpayer equity
 - Adjust cost factors for health insurance and out-of-district special education
 - Eliminate pre-school enrollment cap
- How can we leverage Chapter 70 funding increases to improve student performance?
 - Provide incentives to adopt proven reforms
 - Provide greater flexibility for high performing districts and greater oversight for low performing districts



Chapter 70 Website

<http://finance1.doe.mass.edu/chapter70/>

The screenshot shows the website interface for the Massachusetts Department of Elementary & Secondary Education. The top navigation bar includes "Mass.gov" and "State Government · State Services". Below this is a search bar and a dropdown menu for "Program Area". The main navigation menu lists "News", "School/District Profiles", "School/District Administration", "Educator Services", "Assessment/Accountability", and "Family & Community". The "School Finance" section is highlighted, and the "Chapter 70 Program" page is displayed. The page content includes a description of the Chapter 70 program, a list of "Chapter 70 Legislation & Regulation" items, and a list of "Chapter 70 State Aid and Spending Requirement" items. A blue arrow points from the text "FY14 link" to the first item in the list: "FY14 Chapter 70 Aid and Net School Spending Requirements".

Mass.gov State Government · State Services
Massachusetts Department of Elementary & Secondary Education

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› Nutrition Programs
› Regional Districts
› School Building Issues
› School Choice
› School Finance Regulations
› Statistical Comparisons
› Transportation
› Chapter 74 Nonresident Tuition
› School Finance Contacts
› Links

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
- 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

- 07/12/13 [FY14 Chapter 70 Aid and Net School Spending Requirements](#)
- 01/23/13 [FY14 Preliminary Chapter 70 Aid and Net School Spending Requirements](#)
- 07/09/12 [FY13 Chapter 70 Aid and Net School Spending Requirements](#)
- 07/11/11 [FY12 Chapter 70 Aid and Net School Spending Requirements](#)
- 08/25/10 [Update on Federal Education Jobs Funding and FY11 Chapter 70 Program](#)
- 06/30/10 [FY11 Chapter 70 Aid and Net School Spending Requirements](#)
- 10/30/09 [FY10 Chapter 70 Aid and Net School Spending Requirements](#)
- 10/20/09 [FY10 "One-Time Adjustment" Waivers](#)
- 06/19/09 [FY10 Chapter 70 Aid, Net School Spending Requirements, and Federal Stabilization Grants: Legislative Conference Committee Report](#)

FY14 link



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