

School Funding Basics: The Chapter 70 State Aid Formula

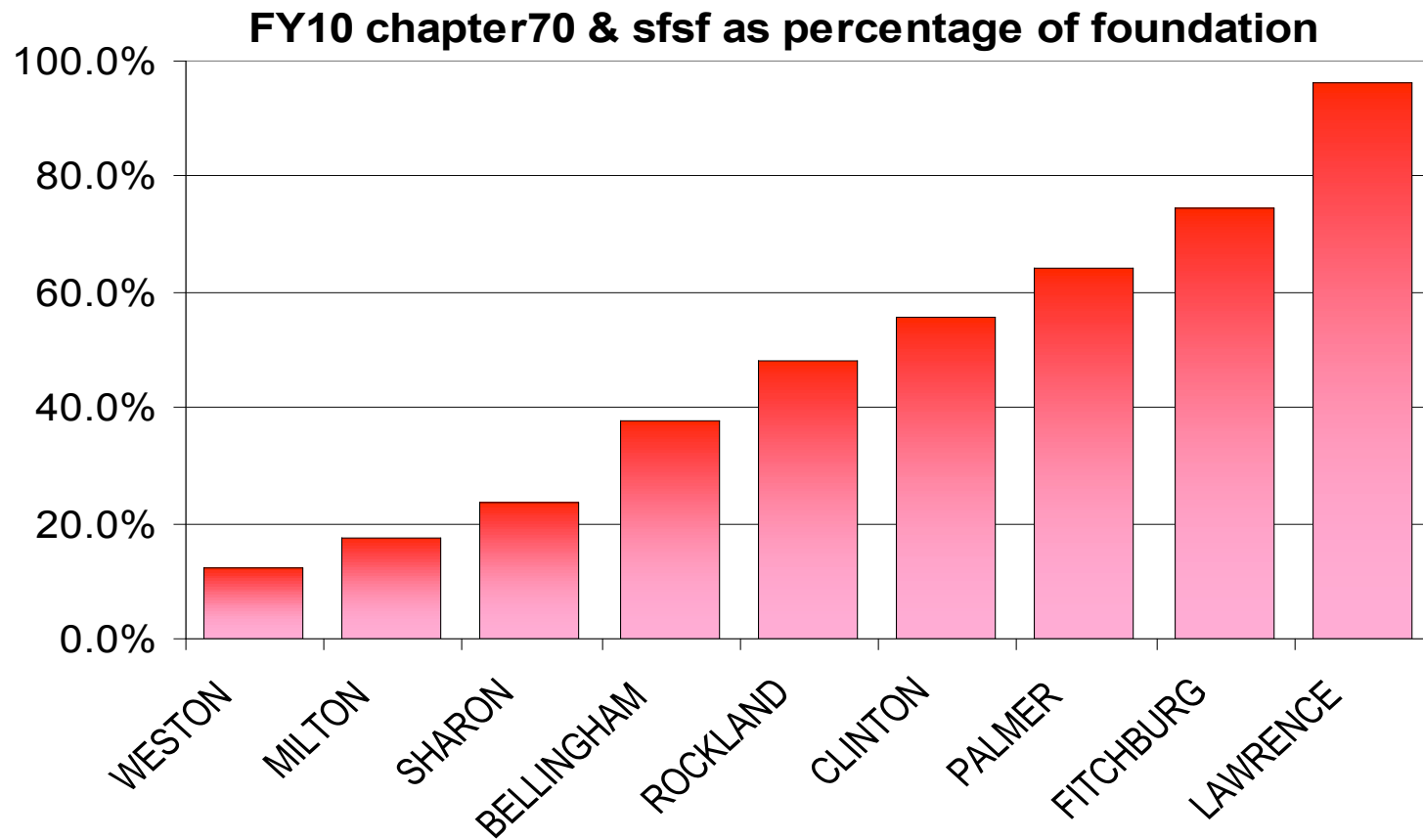
ATFC Annual Meeting
Tri-County Regional Vocational-Technical High School
October 24, 2009

Roger Hatch, Administrator of School Finance, ESE
Charles Lyons, Superintendent, Shawsheen Valley
Vocational Technical High School

What is Chapter 70?

Chapter 70 is the Commonwealth's school funding statute. The program seeks to ensure adequate and equitable school funding for all Massachusetts public pupils. It defines and calculates an adequate funding level for each district, given the specific grades, programs, and demographic characteristics of its students. It then determines 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. The remainder is funded by Chapter 70 state aid.

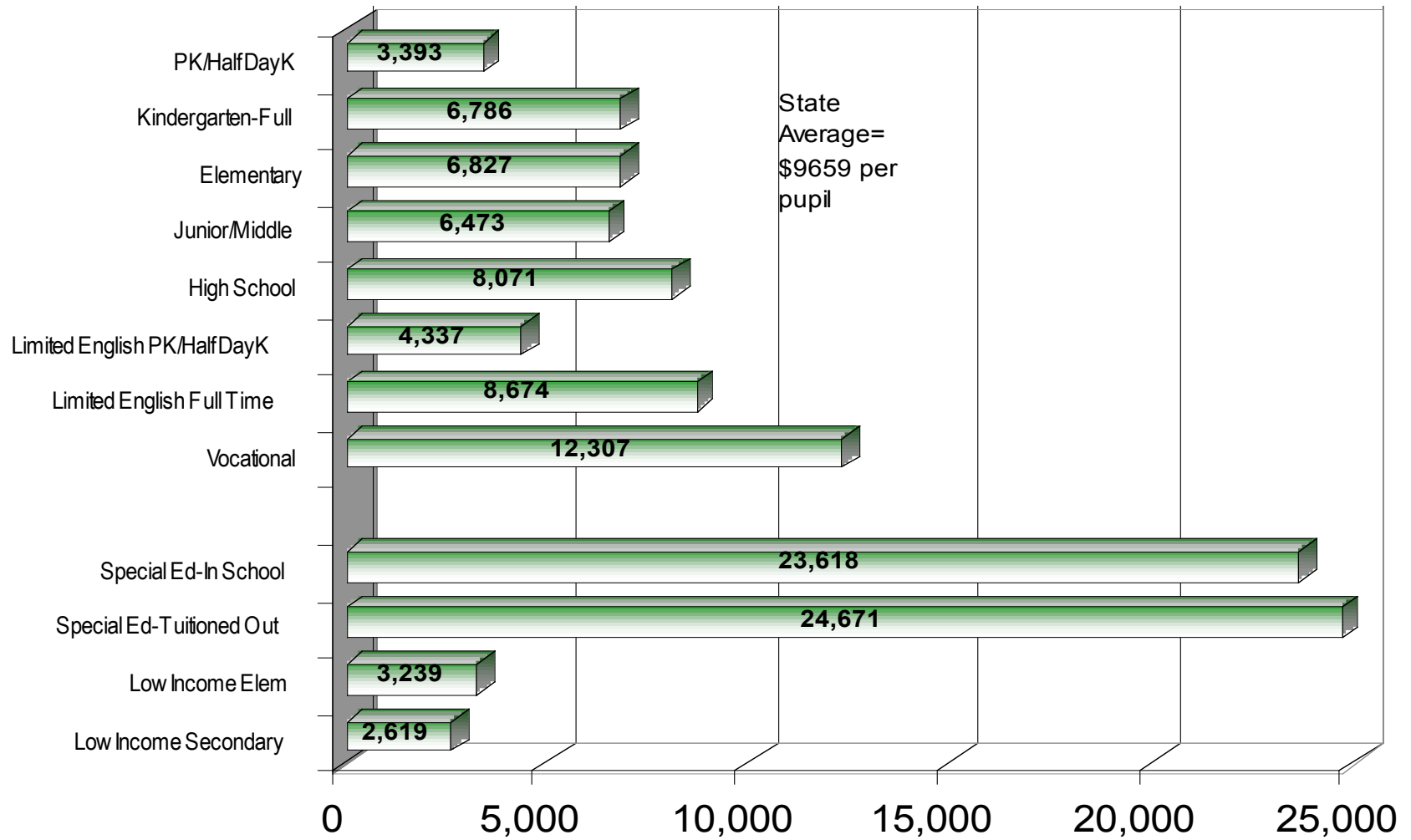
Districts receive different levels of chapter 70 aid, because their community ability to pay differs



Chapter 70: Four Basic Steps

- **Foundation budget:** the Commonwealth's calculation of an "adequate" spending level for a district.
- **Determination of "target local share"** based upon a community's "aggregate" property valuation and residents' income. Calculate annual increments to get a community's total required contribution closer to its target.
- **Apportion** the required contribution among the districts to which the community belongs
- **Aid** makes up the difference between a district's required contribution and its foundation budget.

FY10 Foundation Rates Per Pupil



Determine Target Contribution and Local/State Share

- **Aggregate Property Value:** Jan 1 2008 Equalized Valuation., Multiplied by .2961 percent, yields \$ of effort from based upon property wealth.
- **Aggregate resident income:** 2006 income for all residents, as reported on state income tax forms, multiplied by 1.4977 percent, yields \$ of effort based upon income.
- **These are the unique percentages which** yield exactly half of total statewide local target contribution from property value, and half from income.
- **Combined effort yield** = sum of effort from property value and income.
- **Target local contribution** = combined effort yield as percentage of town's total foundation budget, capped at 82.5%. In FY10, 108 of 351 communities are capped.
- **Target local share**= combined effort yield as percentage of foundation, or 82.5%, whichever is lower
- **Target aid share** = 100% minus target local share. If a district's local share is, for example, 70 percent, the aid share will be 30%.

Reaching the Targets Over Time

- contribution and aid targets first defined for FY07
- Expected five-year phase-in
- At full phase-in no community would be *required* to spend more than its target contribution

Determine Upcoming Year's Required Contribution

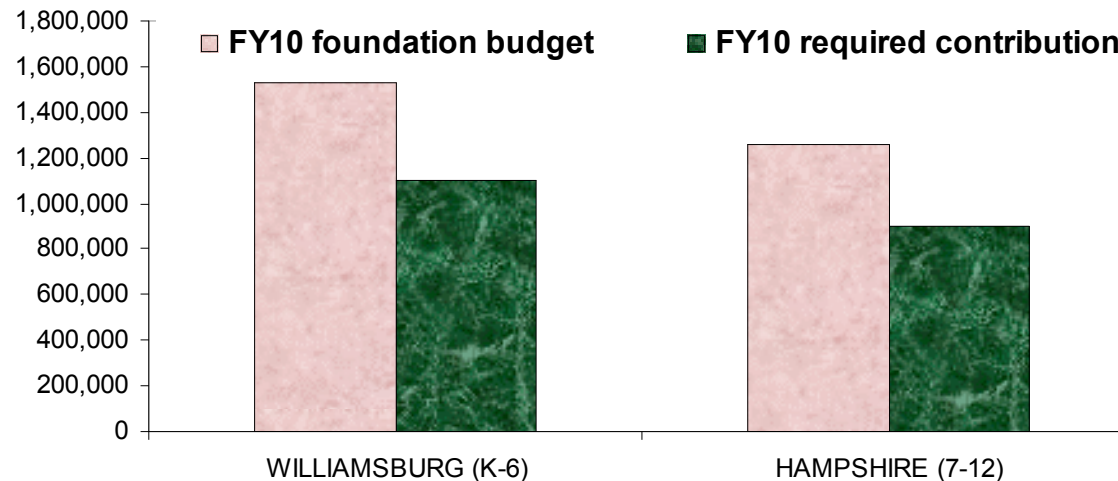
- Increase last year's required contribution by the *municipal revenue growth factor* , to yield a "preliminary contribution."
- For communities ABOVE their target reduce the required contribution by 15% of the "excess effort gap" (193 of 351 cities and towns in FY10, excess of \$228m is reduced by \$34 million)
- For communities BELOW their target by less than 5%, the preliminary contribution becomes the new requirement (65 cities and towns).
- For communities below their target by more than 10%, an additional 2% is added to the preliminary contribution (N=40). For those below by between 5 and 10%, 1% is added (N=53). (\$23m)
- For communities who *actually* are spending in excess of their requirement, but whose *required* contributions are below their target contribution, an additional one-time increment is added to reach the lesser of their target or 95% of FY08 actual local contributions. 115 communities are increased by \$108 million.

Municipal Revenue Growth Factor (calculated by DOR)

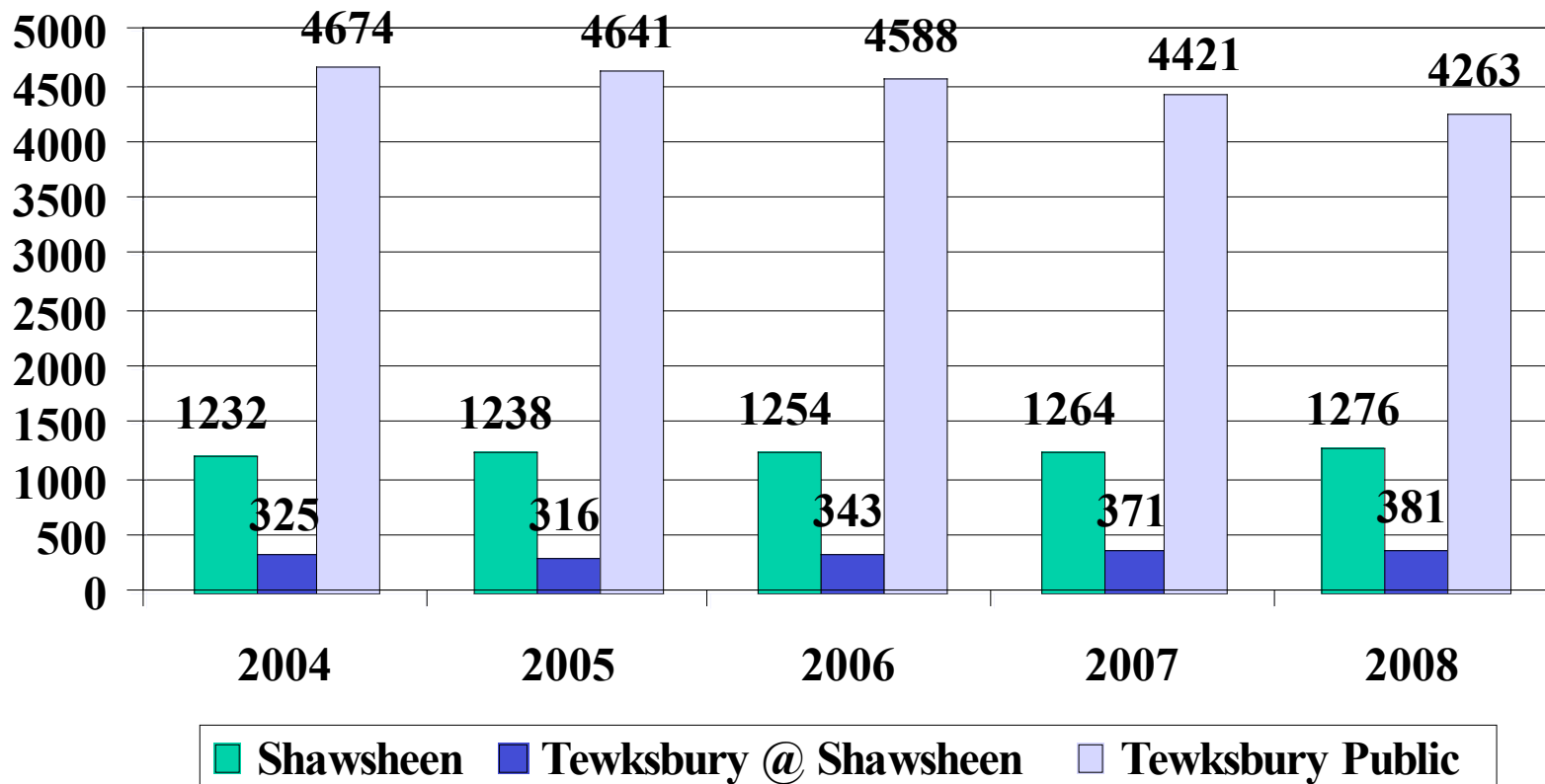
- 2 1/2 percent increase in levy limit (impact of overrides removed)
- Estimated new growth in levy limit
- Estimated change in Lottery, Additional Assistance and PILOT (State Owned Land)
- Estimated change in unassigned local receipts

Apportion The Required Contribution

- Calculate the foundation budget for a town's pupils, at each of the districts to which it belongs.
- Allocate the required contribution directly in proportion to share of the town's total foundation budget at each district.



Enrollment Trends in Shawsheen District compared to Tewksbury



Calculate Each District's Aid

- **Reduce FY09 Chapter 70 by two percent for every district**
- **Add together the reduced aid and the required local contribution.**
- **If the combined amount is less than foundation budget, then sfsf grants provide enough additional funding for districts to spend at foundation levels.** 151 operating districts receive \$167 million in sfsf grants.
- **Past aid components such as down-payment aid, growth aid, and minimum aid per pupil are not implemented in FY10 due to the state budget situation.**

Net School Spending Requirements FY10

- Remain fully in effect and will be enforced
- A district's requirement is the sum of each its Chapter 70 aid and required contribution. SFSF grants are not included.
- NSS requirement is legal funding obligation for each district.
- Aid penalties strong disincentive

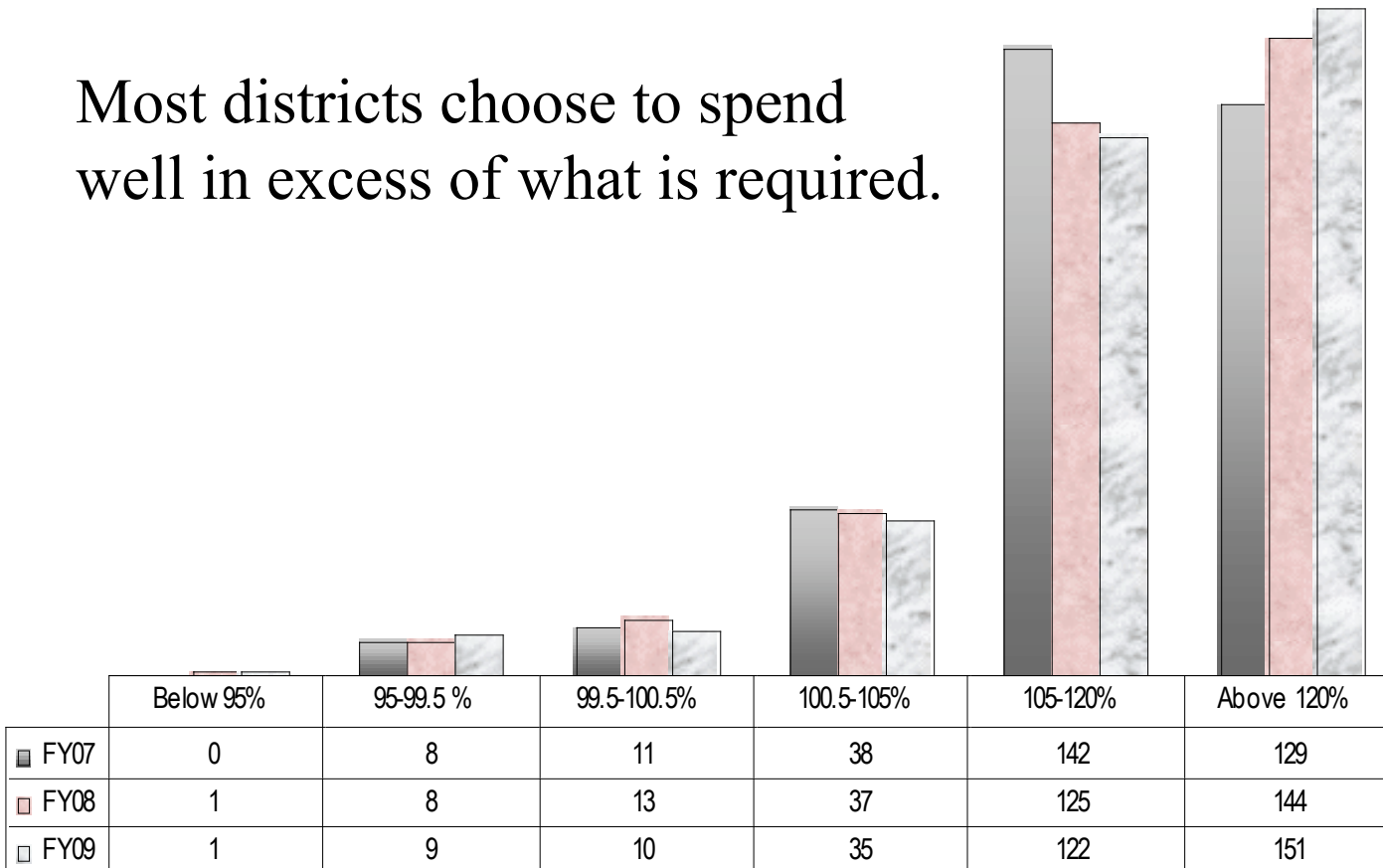
“Actual” Net School Spending

- 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

Actual NSS as % of Required, FY07 to FY09

N of Operating Districts

Most districts choose to spend well in excess of what is required.



MASS recommended changes to Foundation Budget phased in over 4 years to achieve Adequacy

- Lower elementary class sizes from 22 to 20
- Lower middle school class sizes from 25 to 22
- Moved assumed special ed by another .25%
- Continue to use inflation for foundation budget
- Adjust health insurance costs to reflect reality (off by \$600 million)
- Increase allowance for low income (\$150) and English language learners (\$175)
- Increase foundation to reflect actual teacher salaries by at least \$4500 per pupil (salaries now \$5000 more)
- Reflect actual nurses salaries

ESE Website Links to Additional Information About Chapter 70

- The ESE website has numerous documents describing the FY10 Chapter 70 calculations. The cover document is at **http://finance1.doe.mass.edu/chapter70/chapter_10.html**
 - Contained within the cover document are links to the following
 - A description of the changes to the foundation budget calculation
 - A description of the changes to the local contribution and aid calculations
 - The “complete formula spreadsheet” -- an EXCEL workbook containing the detailed calculations for each city, town and school district.
 - Chapter 70 trends by district: **<http://finance1.doe.mass.edu/schfin/Chapter70/profile.aspx>**
 - Net school spending compliance: **<http://finance1.doe.mass.edu/chapter70/compliance.html>**
 - How the foundation budget is calculated: **http://finance1.doe.mass.edu/chapter70/chapter_cal.html**
 - The Hancock v Driscoll decision: **http://finance1.doe.mass.edu/chapter70/hancock_decision.doc**
 - How foundation enrollment is calculated: **http://finance1.doe.mass.edu/chapter70/enrollment_desc.pdf**
-
- **Contact:** Roger Hatch 781-338-6527 rhatch@doe.mass.edu