*****Massachusetts Department of***

***Elementary and Secondary Education***

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| Jeffrey C. Riley  *Commissioner* |  |

# MEMORANDUM

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| **To:** | Members of the Board of Elementary and Secondary Education |
| **From:** | Jeffrey C. Riley, Commissioner |
| **Date:** | March 8, 2023 |
| **Subject:** | Governor’s FY24 House 1 Budget Proposal |

On March 1st, Governor Healey filed House 1, containing the Administration’s FY24state spending recommendations for the upcoming fiscal year. The Governor recommends total state spending of $55.5 billion (excluding transfers to the Medical Assistance Trust Fund), representing a 4.1% increase above FY23 spending.

The recommended appropriations for the Department of Elementary and Secondary Education (DESE) total $7.72 billion, which represents an increase of $542.8 million (7.5%), over FY23 spending. The Governor’s request funds the Student Opportunity Act on pace to fully implement the law by FY27 as required, adding a total of $668.8 million in new spending for initiatives laid out in this comprehensive education legislation. This includes an increase of $596 million in Chapter 70 funding and $62.8 million for special education circuit breaker reimbursement.

The following summarizes the Governor’s recommendations for education funding under DESE’s purview, by program area.

1. **Education Local Aid & Reimbursements**

**Chapter 70 aid (7061-0008)** is increased by $586M (9.8%) to $6.58B. The FY24 Chapter 70 program reflects the passage in November 2019 of An Act Relative to Educational Opportunity for Students, commonly known as the Student Opportunity Act (SOA). The SOA makes significant changes to the Chapter 70 formula, based in large part on the recommendations of the Foundation Budget Review Commission (FBRC). The updated formula is also codified in Chapter 70 of the general laws.

*Statutory parameters*

The updated formula includes three parameters to be specified in each year’s general appropriations act. In House 1, these are specified as follows:

* Total state target local contribution: 59%
* Effort reduction: 100%
* Minimum aid: $30 per pupil

*Foundation budget changes*

The SOA establishes new, higher foundation budget rates in five areas: benefits and fixed charges, guidance and psychological services, special education out-of-district tuition, English learners, and low-income students, all to be phased in by FY27. For FY24, the rates have been increased by three-sixths (or one-half) of the gap between the rates in FY21—the base year used in the calculations—and the final target rates. The SOA also increased the number of tiers used for the low-income increment rates from ten to twelve; districts with higher concentrations of low-income students benefit from higher rates.

In addition to these targeted rate increases, foundation budget categories are also increased to account for inflation. A new employee benefits inflation rate is applied to the employee benefits and fixed charges category. This is based on the enrollment-weighted, three-year average premium increase for all Group Insurance Commission plans; for FY24 the increase is 5.16%. An inflation rate of 4.50% is applied to all other foundation budget rates, based on the U.S. Department of Commerce’s state and local government price deflator and capped at the 4.50% maximum set in the SOA. The SOA does not set a maximum for the employee benefits inflation rate.

Statewide, foundation enrollment increased from 903,751 in FY23 to 905,239 in FY24, an increase of 1,488 or 0.16%. Foundation enrollment decreased for 194 districts, while 162 districts experienced enrollment increases.[[1]](#footnote-2)

Finally, the formula’s minimum aid provision guarantees all districts receive at least the same amount of aid in FY24 as they did in FY23 plus a $30 per pupil increase.

*Low-income and special education enrollment*

The SOA reinstates the definition of low-income enrollment used prior to FY17, based on 185% of the federal poverty level. It replaces the economically disadvantaged designation (based on 133% of the federal poverty level) used from FY17 through FY22. For FY24, a district’s low-income enrollment is based on three eligibility categories:

* Students identified as participating in state public assistance programs, including the Supplemental Nutrition Assistance Program (SNAP), Transitional Aid to Families with Dependent Children (TAFDC), MassHealth, and foster care; or
* Students verified as low income through a supplemental data collection process first used for Chapter 70 in FY23; or
* Students reported by a district as homeless through the McKinney-Vento Homeless Education Assistance program application.

Statewide, low-income enrollment for FY24 is 421,314, compared to 407,501 in FY23.

The SOA also provides for a phase-in of increases to the assumed in-district special education enrollment to 5% for vocational students and 4% for non-vocational students. In FY24, these assumed rates have been increased by three-sixths (or one-half) of the gap to 4.90% and 3.90%, respectively.

*Required local contributions*

The aggregate wealth model that has been used to determine target local contribution requirements since FY07 is now codified in the SOA. For municipalities with preliminary required contributions above their targets, the effort reduction component of the formula closes 100% of the gap between their preliminary contribution and their contribution target. For municipalities with preliminary required contributions significantly below their targets, the formula continues to apply an additional increment to their required contribution to close a portion of the gap to their contribution target.

Finally, pursuant to its codification in the SOA, a provision introduced in the FY20 budget specifying a minimum required local contribution of 82.5% of foundation for any city or town with a combined effort yield greater than 175% of foundation is continued in FY24.

*Charter school tuition*

Foundation tuition rates for Commonwealth charter schools are based on the same foundation budget rates used in Chapter 70. The foundation budget rate increases being implemented in FY24 have been incorporated into our projected FY24 tuition rates. In addition, charter school low-income enrollment for FY24 has been identified using the same eligibility criteria used for districts. The facilities component of the tuition rate is $1,088 per pupil, with this cost fully reimbursed by the state as in prior years.

The reimbursement formula for transitional aid to districts reflects the change enacted by Section 38 of the FY20 budget, which provided for a reimbursement of 100% of any tuition increase in the first year, 60% in the second year, and 40% in the third year. Funding for first year reimbursements is prioritized first, followed by funding for second year reimbursements. The SOA required 75% of the total state obligation to be funded in the first year (FY22), 90% in the second (FY23), and 100% in subsequent years (FY24 and beyond). The Governor has recommended a $243.8 million appropriation for these reimbursements. This appropriation level is expected to meet the 100% requirement in FY24. The projected assessments and reimbursements for charter tuition payments at this point in time can be useful for budget planning but should not be viewed as final numbers, given normal fluctuations in both projected and actual enrollments which occur over the course of the fiscal year.

**Special Education Circuit Breaker reimbursement (7061-0012)** is increased by $62.8M over the FY23 level to $503.8M and continues the phase-in of a provision of the SOA to reimburse up to 100% of out-of-district special education transportation costs.

The FY24 House 1 budget also proposes these increases over the FY23 level:

* $14.9M increase for Regional School Transportation (7035-0006)
* $4.9M increase to Non-Resident Vocational Students Transportation (7035-0007)
* $5.69M increase for Homeless Transportation (7035-0008)
* $2M increase for Rural School Aid (7061-9813), to $7.5M.

It also includes $10M for a Foundation Reserve (7061-0011) to provide extraordinary relief to districts disproportionately impacted by increases in the target local contribution in recent years that negatively affect their Chapter 70 aid.

1. **Program Changes**

FY24 House 1 eliminates spending for seven accounts previously funded in FY23:

* 7010-1192 Educational Improvement Projects ($9.3M reduction)
* 7010-1193 Civics Education Programs ($1.6M reduction)
* 7010-1194 Financial Literacy Education ($250K reduction)
* 7061-0009 Minimum Pupil Aid ($9.68M reduction)
* 7061-9406 College and Career Readiness account ($875K reduction)
* 7061-9412 Expanded Learning Time Grants ($5.98M reduction)
* 7061-9805 Educator Scholarship and Loan Repayment Program ($15M reduction)

Other changes in the FY24 House 1 education budget proposal include:

* Civics Project Trust Fund (1595-0115) is reduced by $500K
* Innovation Pathways (7027-0020) is increased by $1.04M to $5.87M
* AP Math and Science Programs (7035-0035) is reduced by $100K to $3.29M
* FY24 House 1 has removed the $110M free school meals earmark from the School Breakfast Program (7053-1925) but the Governor plans to seek funding in an upcoming supplemental budget request
* School & District Accountability Reviews (7061-0029) is increased by $323K to $1.38M, to fund the costs of annual reviews
* Targeted Assistance (7061-9408) is increased by $1M to help with retention of teachers with emergency licenses
* After-School Grant Program (7061-9611) is increased by $359K to $11.23M
* Safe and Supportive Schools (7061-9612) is increased by $1M to $1.6M
* YouthBuild Programs (7061-9626) is reduced by $600K to $2.4M
* Child Sexual Abuse Prevention (7061-9812) is moved to the Children’s Trust Fund since that agency has been administering the line item since the account’s inception
* Summer Learning Grants (7061-9814) is increased by $2M to $3M.

DESE’s other accounts are level funded in the Governor’s House 1 proposal with either the removal of legislative earmarks and/or changes in FY24 payroll costs.

The attached chart summarizes the Governor’s FY24 budget recommendations in comparison to our current year’s and prior year’s appropriation history and identifies variances.

The Governor’s House 1 budget recommendations begin the FY24 budget development process that will culminate in late June/early July when the Legislature approves the FY24 budget and forwards it to the Governor for her final review and approval.

Please let me know if you have any questions or concerns. A discussion of the Governor’s education budget proposal for FY24 will be on the agenda at the Board meeting on March 28, 2023.

Attachment: FY24 Governor's House 1 Budget Summary

1. Foundation enrollment for any given fiscal year is based on October 1 enrollment from the prior year, so FY24 foundation enrollment is based on October 2022 SIMS data. [↑](#footnote-ref-2)