*****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:** | May 17, 2023 |
| **Subject:** | FY24 Senate Ways and Means Budget Proposal |

On May 9, the Senate Ways and Means Committee (SWM), released its budget recommendations for fiscal year 2024. The SWM budget recommends total state spending of $55.8 billion. SWM has prioritized spending increases for key areas, including education, economic growth and workforce development, access to health care and support for safety net programs, housing assistance, and local communities.

The recommended appropriations relating to the Department of Elementary and Secondary Education (DESE) total $7.7 billion, which represents an increase of $466 million (6.4%), over FY23 projected spending. The SWM budget fully funds three-sixths of the goal rate for Chapter 70 called for in the Student Opportunity Act. This includes an increase of $594 million in Chapter 70 funding and $62.8 million for special education circuit breaker reimbursement.

The following summarizes the SWM education recommendations by program area.

1. **Education Local Aid & Reimbursements**

Chapter 70 (7061-0008) aid is increased by $594.0 million (9.9%) to $6.592 billion. 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 the SWM budget, these are specified as follows:

* Total state target local contribution: 59%
* Effort reduction: 100%
* Minimum aid: $60 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 of the gap between the rates in FY21 - the base year used in the calculations - and the final goal 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 905,106 in FY24, an increase of 1,355 or 0.15%. Foundation enrollment decreased for 174 districts, while 13 districts experienced enrollment increases of greater than five percent.[[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 at least $60 per pupil, funded through line items 7061-0008 and 7061-0009.

*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 FY23. 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 certified as low-income through the new supplemental data collection process; or
* Students reported by a district as homeless through the McKinney-Vento Homeless Education Assistance program application.

Statewide, low-income enrollment for FY24 is 421,305, compared to 407,501 in FY23.

The SOA also increases 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 two-sixths of the gap to 4.90% and 3.90% respectively.

*Required local contributions*

The aggregate wealth model that has been used to determine local contribution requirements since FY07 and that is now codified in the SOA remains in place. For municipalities with required contributions above their targets, the equity component of the formula sets their contributions at 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 $1,188 per pupil, with this cost fully reimbursed by the state as in prior years.

The reimbursement formula for transitional aid to districts (7061-9010) reflects the change enacted by Section 38 of the FY20 budget, which provides 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 requires 75% of the total state obligation to be funded in the first year, 90% in the second, and 100% in subsequent years. The SWM has recommended a $230.3 million appropriation for these reimbursements and authorizes the use of $10 million in surplus funding from 7061-9010 in FY23 if it is needed to fully fund the entitlement in FY24. This appropriation level plus the funding carried froward from FY23 is expected to fund 100% of the of the state’s obligation when tuition assessments are updated to reflect actual enrollments and district spending levels. 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.

*Rural Aid*

The account is funded at $15 million, an increase of $9.5 million over FY23 for Rural Aid (7061-9813).

*Circuit Breaker*

Special Education Circuit Breaker reimbursement (7061-0012) is increased by $62.8 million over the FY23 level to $503.8 million and completes the phase-in of a provision of the SOA to reimburse out-of-district special education transportation costs. The appropriation includes $20.0 million for the Emergency Relief component of the Circuit Breaker program.

*Transportation Reimbursements*

The SWM budget provides increased reimbursement above FY23 of $14.9 million for Regional School Transportation (7035-0006), $4.9 million increase for Non-Resident Vocational Student Transportation (7035-0007), and increased reimbursement of $5.7 million for Homeless Transportation (7035-0008).

1. **Program Changes**

The FY24 SWM budget has proposed the following funding increases:

* $500K increase for the 1595-0116 Genocide Education Trust Fund
* $1M increase for 7027-0020 Career Technical Partnership Grants to $5.88M
* $323K increase for 7061-0029 School and District Accountability Reviews to $1.38M
* $2M increase for 7061-9814 Summer Learning to $3M

The following accounts have received a reduction to the FY23 GAA level in the FY24 SWM budget proposal:

* 1595-0015 Civics Project Trust Fund is reduced by $500K to $1.5M
* 7010-0033 Consolidated Literacy Programs is reduced by $356K to $5.27M
* 7027-0019 Connecting Activities is reduced by $1.1M to $7.5M
* 7027-1004 English Language Acquisition is reduced by $994K to $3.6M
* 7035-0035 AP Math and Science Program is reduced by $100K to $3.3M
* 7053-1925 School Breakfast Program is reduced by $175M to $4.6M
* 7061-0033 Public School Military Mitigation is reduced by $150K to $1.3M
* 7061-9612 Safe and Supportive Schools is reduced by $78K to $522K
* 7061-9624 WPI Schools of Excellence is reduced by $500K to $1.5M

The FY24 SWM budget eliminates spending for five accounts previously funded in FY23:

* 7010-1194 Financial Literacy Education ($250K reduction)
* 7061-9406 College and Career Readiness Program ($875K reduction)
* 7061-9412 Expanded Learning Time Grants ($5.9M reduction)
* 7061-9650 Supporting Healthy Alliances Reinforcing Education (SHARE) Grant Program ($2.M reduction)
* 7061-9805 Educator Scholarship and Loan Repayment Program ($15M reduction)

In addition, 7061-9812 Child Sexual Abuse Prevention ($2.35M) has been transferred to the Children’s Trust Fund under account 3000-2060.

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

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

The Senate is starting the budget debate during the week of May 22.

Please let me know if you have any questions or concerns.

Attachment

* FY24 Senate Ways and Means 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)