# MEMORANDUM

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| **To:** | Members of the Board of Elementary and Secondary Education |
| **From:** | Russell D. Johnston, Acting Commissioner |
| **Date:** | April 19, 2024 |
| **Subject:** | FY25 House Ways and Means Budget Proposal |

On April 10th, the House Ways and Means Committee (HWM), released its budget recommendations for fiscal year 2025. The HWM budget recommends total state spending of $57.97 billion. HWM has prioritized spending increases for key areas including education, workforce training, affordable childcare, housing and homelessness, health and human services, and local communities.

The recommended appropriations relating to the Department of Elementary and Secondary Education (DESE) total $8.18 billion, which represents an increase of $73.9 million (1%), over FY24 projected spending. The HWM budget fully funds the fourth-year phase-in of the Student Opportunity Act, adding a total of $308.6 million in new spending for Chapter 70 funding from two line items, $279.1 million from 7061-0008 and $37 million from 1596-2438.

The following summarizes the HWM’s education recommendations by program area.

1. **Education Local Aid & Reimbursements**

**Chapter 70 aid (7061-0008 and 1596-2438)** is increased by $308.6M (4.7%) to $6.90B. The FY25 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 FY25 HWM budget, these are specified as follows:

* Total state target local contribution: 59%
* Effort reduction: 100%
* Minimum aid: $104 per pupil funded from 2 line items ($30 per pupil from 7061-0008 and $74 per pupil from 1596-2438)

*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, which are all expected to be phased in by FY27. For FY25, the rates have been increased by 4/6ths 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 FY25 the increase is 5.03%. An inflation rate of 1.35% is applied to all other foundation budget rates, based on the U.S. Department of Commerce's state and local government price deflator.

Statewide, foundation enrollment increased from 905,106 in FY24 to 905,572 in FY25, an increase of 466 students. Foundation enrollment decreased for 165 districts, while 149 districts experienced enrollment increases.

Finally, the formula's minimum aid provision guarantees all districts receive at least the same amount of aid in FY25 as they did in FY24 plus a $104 per pupil increase, $13.7 million of which or $30 per pupil is funded from line item 7061-0008 and $37.0 million of which or $74 per pupil is funded from line item 1596-2438.

*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 FY25, 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 FY25 is 415,821, compared to 421,305 in FY24.

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 FY25, these assumed rates have been increased by 4/6ths of the gap to 4.93% and 3.93%, respectively.

*Required local contributions*

The aggregate wealth model that has been used to determine target local contribution requirements since FY07 is now codified in Chapter 70 by 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 Chapter 70 by 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 FY25.

*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 FY25 have been incorporated into our projected FY25 tuition rates. In addition, charter school low-income enrollment for FY25 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 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). HWM has recommended a $199.0 million appropriation for these reimbursements. This appropriation level is expected to meet the 100% requirement in FY25. The projected assessments and reimbursements for charter tuition payments at this point 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 decreased by $6.2M to $492.7M. When combined with the $75M Ch.766 reserve fund made available for reimbursement of current year expenses of districts in FY24 (thereby offsetting FY25 reimbursement needs) or otherwise to be available in FY25 to supplement funding in this item (for reimbursement of expenses not reimbursed in FY24 from the reserve) and a lower need projected for traditional Extraordinary Relief in FY25 (returning to the traditional set-aside level of $5M from a one-time need level of $20M in FY24), this funding level is projected to reimburse 100% of the entitlements and traditional earmarks provided for under the Circuit Breaker program.

* This 100% reimbursement projection includes the new, out-of-district transportation costs made eligible under a provision of the Student Opportunity Act (SOA).

The FY25 HWM budget also proposes a $2.38M increase for Regional School Transportation (7035-0006) to $99.4M projected to reimburse regions at 80% of the projected entitlement. HWM has eliminated $1M funding for Non-Resident Vocational Student Transportation.

1. **Program Changes**

**The FY25 HWM budget has proposed the following funding increases:**

* 1596-2422 Universal School Meals is funded at $190M which is a $18.9M increase from FY24 General Appropriations Act (GAA) (7053-1925 and 1594-2422’s combined value).
* 7010-1196 Smart from the Start is funded at $500K which is a $125K increase from FY24 GAA.
* 7027-0019 Connecting Activities is funded at $7.8M which is a $500K increase from FY24 GAA post 9C cut.
* 7035-0001 Career and Technical Education is funded at $3.5M which is a $457K increase from FY24 GAA post 9C cut.
* 7035-0035 AP Math and Science is funded at $3.39M which is a $100K increase from FY24 GAA post 9C cut.
* 7061-9412 Expanded Learning Time is funded at $2.4M which is a $2.27M increase from FY24 GAA post 9C cut.
* 7061-9650 is funded at $2M which is a $1.34M increase from FY24 GAA.
* 7061-9805 Tomorrow’s Teachers is funded at $10M which is a $10M increase from FY24 GAA.

**The FY25 HWM budget has proposed the following funding decreases:**

* 1595-0035 21st Century Education Trust is funded at $1M which is a $2M decrease from FY24 GAA.
* 1595-0035 Civics Education Trust is funded at $1.5M which is a $1M decrease from FY24 GAA.
* 1595-0116 Genocide Education Trust is not funded in the HWM budget which is a $2M decrease from FY24 GAA.
* 1596-2424 Green School Works is funded at $10M which is a $40M decrease from FY24 GAA.
* 7027-0020 Career and Technical Partnership Grants is funded at $5.38M which is a $360K decrease from FY24 GAA.
* 7035-0002 Adult Basic Education is funded at $59.4M which is a $1M decrease from FY24 GAA.
* 7061-0028 Social Emotional Learning Grant is not funded in the HWM Budget which is a $6M decrease from FY24 GAA.
* 7061-0033 Public Military Mitigation is funded at $875K which is a $575K decrease from FY24 GAA.
* 7061-9401 Assessment Consortium is not funded in the HWM Budget which is a $550K decrease from FY24 GAA.
* 7061-9611 After-School Grant Program is funded at $8.4M which is a $2.49M decrease from FY24 GAA.
* 7061-9626 YouthBuild Programs is funded at $1.75M which is a $1.25M decrease from FY24 GAA.
* 7061-9634 Mentoring Matching Grants is funded at $1.5M which is a $300K decrease from FY24 GAA.
* 7061-9813 Rural School Aid is funded at $7.5M which is a $7.5M decrease from FY24 GAA.

DESE’s other accounts are level funded in the HWM proposal with either the removal of legislative earmarks and/or changes in FY25 payroll costs.

The attached chart summarizes the FY25 HWM budget recommendations in comparison to our current and prior year’s appropriation history and identifies variances.

The House is starting the budget debate on April 24th.

Please let me know if you have any questions or concerns. A discussion of the HWM education budget proposal for FY25 will be on the agenda at the Board meeting on April 30, 2024.

Attachment