REPORTING BY MUNICIPAL AGENCIES

In addition to expenditures made from the school department’s own budget, certain expenditures made by other municipal departments on behalf of the schools are also reported on the End of Year Financial Report and some of these expenditures count toward meeting the Net School Spending (NSS) requirement established by the Chapter 70 school finance formula. These “municipal charges” fall into three general categories:

- Non-discretionary expenses which the city or town is entitled to report and which count toward NSS; (Functional Categories: 1000, 5100-5260, 5400, 9000-9400)
- Discretionary programs which can only be reported and charged to NSS with the approval of the school committee; (Functional Categories 2000, 3200, 3600, 4000, 5300) and
- Expenses which should be reported but which do not count toward NSS. (Functional Categories: 3300, 5450, 5500, 6000, 7000, 8000, 9500)

A. Type of Expenditures and Functional Categories

In a municipality that operates its own school district, the following expenditures from local revenues by a municipal department other than the school department which result in services to or on behalf of the school district, shall be reported to the Department on or before September 30 of each year. For a complete description of all functional categories refer to the “Chart of Accounts”.

1000 – General Administration

1110 School Committee: Expenditures that support the school committee as an office.

1410 Business and Finance

The cost of the municipal accounting, auditing, central data processing and central purchasing and financial services if they are provided by the municipality. There are three methodologies that can be used to determine the share of these costs attributable to the school department. The method must be agreed upon by the municipality and school committee, used consistently each year and may only be changed upon the approval of the Commissioner.

1. The total school committee appropriation divided by the total amount to be raised as determined by the Department of Revenue on the tax rate recapitulation sheet, which is the total amount the municipality must spend for all services, by the total cost of administrative services;

2. The district’s foundation enrollment multiplied by the state-wide average cost per student of such services. The statewide average cost is published annually by the Department of Elementary and Secondary Education (DESE) in the accounting and auditing section of the school finance webpage.

3. An alternative proration methodology approved by the school committee, the municipality and the Commissioner of Elementary and Secondary Education.

1420 Human Resources and Employees Benefits Administration:

The indirect costs of administering employee retirement programs shall be computed by multiplying (1) the costs of salaries and supplies for such administration by (2) the
number of school department employees covered by the retirement system divided by the total number of municipal employees covered by the retirement system.

The indirect costs of administering employee and non-employee insurance programs shall be computed by multiplying (1) the costs of salaries and supplies for such administration by (2) the number of school department employees covered by insurance divided by the total number of municipal employees covered by insurance.

1430 Legal Services for School Committee for collective bargaining and other litigation.

1435 Legal Settlements representing settlements of litigation actions.

1450 District-wide information management and technology

2000 - Instructional

2340 - Educational Media Services - Library Services - Exclusive of Capital Outlay: The activities of librarians and catalogers, and the costs associated with cataloguing books, pamphlets, periodicals and other materials for use by school district students where there is an agreement between the school committee and the library board for specific services to be provided to students.

School and municipal officials shall include the method of allocation of costs in the agreement between the school committee and the library board for the provision of specific library services to district students.

2415 Other Instructional Materials

The cost of books, periodicals, reference materials for use in school libraries or classroom libraries, contracted services, supplies and materials and other expenses.

3000 Pupil Services

3200 - Health Services: The salaries of health personnel who provide direct services or instruction to public school students or school department employees where there is an agreement between the school committee and the municipality for the provision of these services; related costs for supplies, materials and other direct expenditures in support of these services; and the salaries of public safety officers, on an hourly basis, who provide direct classroom instruction on alcohol and substance abuse and violence prevention where there is an agreement between the school committee and the municipality for the provision of these services. Costs associated with these services to non-public schools must be reported separately.

3300 - Student Transportation Services: All costs incurred as a result of programs transporting students once daily to and from school. These costs must be reported separately from all expenditures relative to services to non-public schools.

3600 School Security: Costs for school security where there is an agreement between the school committee and the municipality for specific services to be provided
4000 - Operation and Maintenance

The direct costs of salaries, supplies, materials and contractual expenses for the ordinary and extraordinary maintenance of school buildings, grounds and equipment. School maintenance expenditures shall be reported for services within a school building or on school grounds. The costs of maintaining other public property, such as property directly adjacent to school property, shall not be reported unless there is a specific agreement between the school committee and the municipality for the provision of these services. Contractual expenditures classified as a 4300 functional category (extraordinary maintenance) must not exceed the per school, per project dollar limit of $100,000 for extraordinary maintenance. Costs include school custodial services, heating of school building, utility cost, maintenance of school grounds, school buildings, school security systems and maintenance of school equipment and technology.

5000 Benefits and Other Services

5100 - Employee Retirement Programs: The actual costs of pensions paid to school department retirees or the actual costs of assessments paid to state, county or municipal retirement systems on account of school department employees or retirees, including any special assessments for early retirement incentive programs for school department employees.

5200 - Insurance Programs: The direct insurance premiums for school employees, after deducting all employee contributions and contributions to self-insurance trust funds from the municipality's general fund.

5250 - Insurance for Retired School Employees: The health insurance premiums for retired school department employees after deducting any retiree contributions and assessments for retired school department employees under G.L. c.32A. Although all retiree insurance costs should be reported, only those costs that have been reported consistently since 1993 will be counted toward meeting the Net School Spending Requirement established each year by the Education Reform Law.

5260 - Non Employee Insurance: The direct insurance premiums for school buildings, grounds, equipment and liability coverage and contributions to non-employee self-insurance trust funds from the municipality's general fund.

5300 - Rental/Lease of Local Buildings and Equipment: Expenditures made under the terms of a lease or rental contract at the request of the school district for buildings or non-instructional equipment in accordance with G.L. c. 40. Such expenditures shall not include any capital leases or lease/purchase agreements that provide for the municipality's acquisition of the leased building or non-instructional equipment at the conclusion of the lease term. Expenditures for this purpose may only exceed the per project dollar limit for extraordinary maintenance ($100,000) or non-instructional equipment ($5,000) for a three year period. After the third rental year the cost must be reported as a 7000 expenditure. Municipalities will be asked to document costs associated with educational leases. (See “Leasing Schedule at

5400 - Short Term Debt Service/Interest (RANS): Actual interest paid in borrowing for Revenue Anticipation Notes (RANS) to support current year school district operations which shall be computed by multiplying (1) the total interest paid by the municipality by (2) the total school committee appropriation divided by the total amount to be raised as determined by the Department of Revenue on the tax recapitulation sheet.

5450 - Short Term Debt Service/Interest (BANS): Actual interest paid in borrowing for Bond Anticipation Notes (BANS) on bonds and loans used to finance
the purchase of textbooks, equipment or technology and school building maintenance or construction.

**5500 - Other Fixed Charges:** Other items of a recurrent nature for school purposes, such as the direct costs of bank charges for school department accounts, the salaries of crossing guards, (5550) the costs of municipal and other public safety inspections.

**6000 Services to Non Public Schools**

**6800 - Health Services for Non-Public Schools:** The salaries of health personnel who provide direct services which state law requires be provided to non-public students or non-public school employees and who make regularly scheduled visits to non-public schools for this purpose; related costs for supplies, materials and other direct expenditures in support of these services and other services provided in accordance with M.G.L.c.71, § 57.

**6900 - Transportation Services for Non-Public Schools:** The cost incurred in transporting students once daily to and from non-public schools in accordance with M.G.L. c. 76, § 1.

**7000 - Acquisition, Improvement and Replacement of Fixed Assets**

Capital expenditures including the purchase of land, buildings and equipment, capital technology and motor vehicles. Such costs shall be limited to specific appropriated items, including school building planning costs and lease/purchases of buildings or non-instructional equipment, that are intended to acquire a new asset, for major reconstruction projects, for maintenance projects costing over one hundred thousand dollars ($100,000) or capital leases. Costs corresponding to revenue received as a lump sum or progress payment grant receipt from the MA School Building Authority (MSBA) whether or not outstanding BANs exist. Costs directly related to a school construction project supported through local appropriation.

The actual cost of transportation vehicles and the allowed amortization consistent with 603 CMR 10.08. (See Amortization Schedule - Attachment B)

**8000 Debt Retirement**

**8100 - Long Term Debt Retirement/School Construction:** The annual principal of loans used to finance the purchase or construction of schools, *not including* BANS, Capital Assessment costs to Regional School Districts and the amounts bonded for extraordinary maintenance.

**8200 - Long Term Debt Service/School Construction:** The annual interest payment on bonds and loans used to finance the purchase or construction of schools.

**8400 - Long Term Debt Service/Educational Expenditures:** The annual interest on bonds and loans used to finance the purchase of books, instructional equipment and extraordinary maintenance projects. The principal of these loans should be reported in the cost category of the purchase (e.g. fixed assets, instructional technology, etc.

**8600 - Long Term Debt Service/Other:** The interest on bonds and loans used to finance the purchase of non-instructional equipment, and to pay for capital maintenance projects in excess of on hundred thousand dollars ($100,000). Principal costs should be reported in the appropriate 7000 series.
9000 - Programs with Other Schools, including:
   9100 - Tuition to Other Districts in Massachusetts
   9110 - Tuition under School Choice
   9120 - Tuition to Commonwealth or Horace Mann Charter Schools
   9200 - Tuition to Districts in Other States
   9300 - Tuition to Non-Public Schools
   9400 - Tuition to Collaboratives
   9500 - Assessments to Regional School Districts: The payments appropriated and due according to regional school agreements and G.L. c. 70 shall be reported in total.

B. Documentation Requirements

   Each municipality shall comply with the documentation requirements cited in 603 CMR 10.05.

C. Allocation Methods

   Each school district shall choose one allocation method where alternatives are offered, shall use this method consistently from year to year, and may change methods only with the approval of the Commissioner of Elementary and Secondary Education. If school and municipal officials wish to use an allocation method of their own devise, they shall request and receive the approval of the Commissioner before they put this method into use, and they shall use this method consistently from year to year and may change methods only upon the approval of the Commissioner.

D. Resolution of Disputes

   When school and municipal officials cannot agree on the correct reporting, allocation and documentation of expenditures by municipal agencies for educational purposes, either party may appeal to the Commissioner, who shall appoint a designee to conduct an informal hearing to encourage the parties to reach an agreement and to make a final determination if no agreement can be reached. The Commissioner shall seek the advice and consultation of the Commissioner of Revenue (or designee) in this hearing.

E. Non Operating Towns

   Towns that do not operate a school district are responsible for reporting all costs associated with tuitioned out students on Schedules 1 and 19 of the End of Year Financial Report. If the municipality provides transportation to these students, Schedule 7 of the End of Year Report must be completed. The town must also report the total amount of assessment paid to a member Regional School District.