FY16 Chapter 70 Aid
General Appropriations Act (GAA)
July 17, 2015
Highlights

• FY16 Chapter 70 is $4.511B
  • $111M (2.5%) increase from FY15

• The equity component of the formula continues to be phased in. Those communities required to contribute more than their targets will have the gap between their required and target local contributions reduced by 50%.

• All districts receive at least $25 per pupil in additional aid over the prior year.

• Districts that are participating in Community Eligibility for school meals no longer collect complete low income data. For those districts, the formula estimates low income by using last year’s (FY15) low income percentages applied to this year’s total foundation enrollment.
Goal of the Chapter 70 formula

• To ensure that every district has sufficient resources to meet its foundation budget spending level, through an equitable combination of local property taxes and state aid.
Chapter 70 aid is determined in three basic steps

A district’s Chapter 70 aid is determined in three basic steps:

1. It defines and calculates a **foundation budget**, an adequate funding level for each district, given the specific grades, programs, and demographic characteristics of its students.

2. It then determines an equitable **local contribution**, 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.

3. The remainder is funded by Chapter 70 **state aid**.

Local Contribution + State Aid = a district’s **Net School Spending (NSS)** requirement. This is the minimum amount that a district must spend to comply with state law.
Districts receive different levels of Chapter 70 aid, because their community’s ability to pay differs.
Key Factors in School Funding Formula

Foundation Budget
- Enrollment
- Wage Adjustment Factor
- Inflation

Local Contribution
- Property value
- Income
- Municipal Revenue Growth Factor

These six factors work together to determine a district’s c70 aid.
Foundation budgets are an indication of student need

FY16 Foundation Budget per Pupil, Average by Type of District

- Vocational Regionals: $15,831
- Urbanized Centers: $11,434
- Rural Economic Centers: $9,933
- Economically Developed Suburbs: $9,786
- Resort/Retirement: $9,833
- Small Rural Communities: $9,640
- Residential Suburbs: $9,350
A district's foundation budget is derived by multiplying the number of pupils in fourteen enrollment categories by cost rates in eleven functional areas.

All of your students are counted in categories 1-10. Special education and low income costs are treated as costs above the base and are captured in 11-14.
Foundation budget rates reflect differences in the cost of educating different types of students.

<table>
<thead>
<tr>
<th>Category</th>
<th>FY16 Foundation Budget Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-School</td>
<td>$3,639</td>
</tr>
<tr>
<td>Kindergarten-Half</td>
<td>$3,639</td>
</tr>
<tr>
<td>Kindergarten-Full</td>
<td>$7,279</td>
</tr>
<tr>
<td>Elementary</td>
<td>$7,323</td>
</tr>
<tr>
<td>Junior/Middle</td>
<td>$6,942</td>
</tr>
<tr>
<td>High School</td>
<td>$8,657</td>
</tr>
<tr>
<td>Limited English PK</td>
<td>$4,652</td>
</tr>
<tr>
<td>Limited English K Half Time</td>
<td>$4,652</td>
</tr>
<tr>
<td>Limited English Full Time</td>
<td>$9,303</td>
</tr>
<tr>
<td>Vocational</td>
<td>$13,200</td>
</tr>
<tr>
<td>Special Ed-In School</td>
<td>$25,332</td>
</tr>
<tr>
<td>Special Ed-Tuitioned Out</td>
<td>$26,461</td>
</tr>
<tr>
<td>Low Income Elem</td>
<td>$3,474</td>
</tr>
<tr>
<td>Low Income Secondary</td>
<td>$2,809</td>
</tr>
</tbody>
</table>
Instructional categories comprise 70% of the statewide foundation budget.
Local Contribution
Establishing local ability to pay

• The foundation budget is a shared municipal-state responsibility.

• Each community has a different target local share, or ability to pay, based on its property values and residents’ incomes.

• Prior to this policy, required local contributions had become less linked to ability to pay. A process was established in 2007 to move each community from its 2006 baseline to its new target.
How is the required local contribution calculated?
Determining each community’s target local share starts with the local share of statewide foundation.

Calculate **statewide** foundation budget.

**Statewide Foundation Budget**
$10.090B$

Determine local share of **statewide** foundation.

**41% State Aid**
$4.137B$

**59% Local Contribution**
$5.953B$

Statewide, determine percentages that yield ½ from property and ½ from income.

**Income Effort**
1.4930%
$2.977B$

**Property Effort**
0.3808%
$2.977B$

Property and income percentages are applied uniformly across all cities and towns to determine the combined effort yield from property and income.

7/19/2015
Individual communities’ target local shares are based on local property values and income, and foundation budget.

- To determine local effort, first apply this year’s property percentage (0.3808%) to the town’s 2014 total equalized property valuation.
- Then apply this year’s income percentage (1.4930%) to the town’s 2012 total residential income.

Local Property Effort + Local Income Effort = Combined Effort Yield (CEY)

- Target Local Share = CEY/Foundation budget
  - Capped at 82.5% of foundation
  - In FY16, 143 of 351 communities are capped.
Getting Closer To the Target Contribution
Determining the Upcoming Year’s Local Contribution

Preliminary Contribution

- Increase last year’s required local contribution by the municipality’s Municipal Revenue Growth Factor (MRGF)
  - Calculated annually by the Department of Revenue
  - Quantifies the most recent annual percentage change in each community's local revenues, such as the annual increase in the Proposition 2½ levy limit, that should be available for schools

Required Contribution

- If the preliminary contribution is **above** the target, reduce by the effort reduction percent (50% in FY16).
- If the preliminary contribution is **below by less than 2.5%**, the preliminary contribution becomes the new requirement.
- If the preliminary contribution is **below by more than 7.5%**, an additional 2% is added to the preliminary contribution. For those **below by between 2.5 and 7.5%**, 1% is added.
Each community transitions to its target local share at a different pace.

**Everett**

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY07</td>
<td>47.8%</td>
<td>52.0%</td>
</tr>
<tr>
<td>FY08</td>
<td>44.8%</td>
<td>47.6%</td>
</tr>
<tr>
<td>FY09</td>
<td>40.8%</td>
<td>43.2%</td>
</tr>
<tr>
<td>FY10</td>
<td>39.6%</td>
<td>41.3%</td>
</tr>
<tr>
<td>FY11</td>
<td>40.1%</td>
<td>39.6%</td>
</tr>
<tr>
<td>FY12</td>
<td>33.5%</td>
<td>36.8%</td>
</tr>
<tr>
<td>FY13</td>
<td>32.0%</td>
<td>34.0%</td>
</tr>
<tr>
<td>FY14</td>
<td>29.7%</td>
<td>31.4%</td>
</tr>
<tr>
<td>FY15</td>
<td>28.3%</td>
<td>29.8%</td>
</tr>
</tbody>
</table>

**Cambridge**

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY07</td>
<td>150.0%</td>
<td>142.0%</td>
</tr>
<tr>
<td>FY08</td>
<td>122.0%</td>
<td>115.4%</td>
</tr>
<tr>
<td>FY09</td>
<td>112.0%</td>
<td>106.8%</td>
</tr>
<tr>
<td>FY10</td>
<td>100.0%</td>
<td>96.0%</td>
</tr>
<tr>
<td>FY11</td>
<td>82.5%</td>
<td>82.5%</td>
</tr>
<tr>
<td>FY12</td>
<td>82.5%</td>
<td>82.5%</td>
</tr>
<tr>
<td>FY13</td>
<td>82.5%</td>
<td>82.5%</td>
</tr>
<tr>
<td>FY14</td>
<td>82.5%</td>
<td>82.5%</td>
</tr>
<tr>
<td>FY15</td>
<td>82.5%</td>
<td>82.5%</td>
</tr>
<tr>
<td>FY16</td>
<td>82.5%</td>
<td>86.1%</td>
</tr>
</tbody>
</table>
Reaching the Targets Over Time
All Municipalities

Target v. Required Contribution, FY2007

Target v. Reqd Contribution, 2016
How is the district’s required local contribution calculated? Once the city or town’s required local contribution is calculated, it is allocated among the districts to which it belongs.

**Town of Berkley**

**Foundation Budget = $11.2M**
- Berkley: 59%
- Somerset: 25%
- Bristol: 14%

**Required Local Contribution = $5.8M**
- Berkley: 59%
- Somerset: 25%
- Bristol: 14%
Calculating Chapter 70 Aid

Foundation aid is the core of Chapter 70. It provides additional funding for districts to spend at their foundation budgets.

Foundation Budget – Required Local Contribution = Foundation Aid

- Start with prior year’s aid
  - FY15 c70 (statewide: $4.4B)

- Add together the prior year’s aid and the required local contribution.

- If this year’s foundation aid exceeds last year’s total Chapter 70 aid, the district receives the amount needed to ensure it meets its foundation budget.

- 83 districts

7/19/2015
Calculating Chapter 70 Aid

- Districts are held harmless to the previous year’s level of aid.
- In FY16, “minimum aid” is also available.
- District receives at least $25 per pupil in additional aid over FY15 (246 operating districts).

### 97 Fitchburg

**Aid Calculation FY16**

**Prior Year Aid**
1. Chapter 70 FY15  
   - $45,409,881

**Foundation Aid**
2. Foundation budget FY16  
   - $62,363,310
3. Required district contribution FY16  
   - $16,662,973
4. Foundation aid (2-3)  
   - $45,700,337
5. Increase over FY15 (4 - 1)  
   - $290,456

**Minimum Aid**
6. Minimum $20 per pupil increase  
   - $0

**Non-Operating District Reduction to Foundation**
6. Reduction to foundation  
   - $0

**FY16 Preliminary Chapter 70 Aid**
7. Sum of line 1, 5 minus 6  
   - $45,700,337
Progress towards Target Aid Shares
All Districts

Target v. C70 Aid,

FY2007

Chapter 70 Aid %

Target Aid %

FY2016

Chapter 70 Aid %

Target Aid %

7/19/2015
Net School Spending

• Net School Spending requirements continue to be enforced.

• Section 3 Preamble: “The department of elementary and secondary education shall not consider health care costs for retired teachers to be part of net school spending for any district in which such costs were not considered part of net school spending in fiscal year 1994, and in which such district has not accepted the provisions of Section 260 of Chapter 165 of the Acts of 2014.”
Most Districts Spend in Excess of Their Net School Spending Requirement

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13</th>
<th>FY14 Budgeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 95%</td>
<td>4</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>95-99.5%</td>
<td>20</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>99.5-100.5%</td>
<td>11</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>100.5-105%</td>
<td>39</td>
<td>33</td>
<td>39</td>
</tr>
<tr>
<td>105-120%</td>
<td>99</td>
<td>108</td>
<td>103</td>
</tr>
<tr>
<td>Above 120%</td>
<td>152</td>
<td>148</td>
<td>154</td>
</tr>
</tbody>
</table>

FY12: 4 20 11 39 99 152
FY13: 6 20 9 33 108 148
FY14 Budgeted: 4 16 8 39 103 154
Chapter 70 Website
http://www.doe.mass.edu/finance/chapter70/
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