Chapter 70 FY14
Preliminary House 1 Proposal

Massachusetts Department of Elementary and Secondary Education

1/23/2013
House 1 Highlights

• For the first time, there is full phase-in of the equity component of the formula changes put into effect in FY07.
• Communities below their local effort targets are required to reach them at a faster pace than in past years.
• All eligible regular education pre-kindergarten pupils now count in the foundation budget.
• Out-of-district special ed rate is raised by $10,000.
• Every district receives at least a $25 per pupil increase.
Chapter 70 Defined

• Chapter 70 is the Commonwealth’s school funding statute.
  – The program seeks to ensure adequate and equitable school funding for all Massachusetts public pupils.
  – It defines and calculates an adequate funding level for each district, given the specific grades, programs, and demographic characteristics of its students.
  – It then determines 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.
  – The remainder is funded by Chapter 70 state aid.
Chapter 70: Three Basic Steps

Foundation Budget
- The Commonwealth’s calculation of an “adequate” spending level for a district

Target Local Share
- Based upon a community’s “aggregate” property valuation and residents’ income.
- Annual increments are calculated to get a community’s total required contribution closer to its target.
- The total must be apportioned among the districts to which the community belongs.

Aid
- Makes up the difference between a district’s required contribution and its foundation budget.
Districts receive different levels of chapter 70 aid, because their communities’ ability to pay differs.

<table>
<thead>
<tr>
<th>Town</th>
<th>Chapter 70 as % of Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tisbury</td>
<td>17.5%</td>
</tr>
<tr>
<td>Natick</td>
<td>18.1%</td>
</tr>
<tr>
<td>Littleton</td>
<td>26.0%</td>
</tr>
<tr>
<td>Georgetown</td>
<td>38.8%</td>
</tr>
<tr>
<td>Norton</td>
<td>48.2%</td>
</tr>
<tr>
<td>Oxford</td>
<td>53.6%</td>
</tr>
<tr>
<td>Leicester</td>
<td>56.7%</td>
</tr>
<tr>
<td>Fitchburg</td>
<td>73.7%</td>
</tr>
<tr>
<td>Lawrence</td>
<td>95.6%</td>
</tr>
</tbody>
</table>

1/23/2013
# 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.
The Governor’s FY14 budget proposes to increase the out of district special education rate by $10,000 to $35,848.

Average Foundation Rate is $10,438 per pupil.
Local Contribution
Determining the Target Local Share

Statewide
• Determine the state-wide target local contribution level
  – The current ratio of state to local share is 41% to 59%.

• Using this ratio, calculate a property percentage and income percentage that, when combined, yield the total state share with half coming from property and half from income.

For each city/town - Target Local Share
• To determine local effort, apply the property and income percentages to the municipality’s
  – Equalized Property Valuation
  – Aggregate Income

  Local Property Effort
  + Local Income Effort
  Combined Effort Yield

• Target Local Share = Combined Effort Yield, capped at 82.5% of foundation
  – In FY14, 126 of 351 communities are capped.

<table>
<thead>
<tr>
<th>Property Percentage</th>
<th>Income Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.3593%</td>
<td>1.5595%</td>
</tr>
</tbody>
</table>

1/23/2013
Local Contribution
Example – Target Local Share Calculation

100 FRAMINGHAM

Effort Goal

1) 2012 equalized valuation 7,846,077,200
2) Property percentage 0.3593%
3) Local effort from property wealth 28,189,038
4) 2010 income 2,021,621,000
5) Income percentage 1.5595%
6) Local effort from income 31,526,507
7) Combined effort yield (row 3 + row 6) 59,715,545
8) Foundation budget FY14 99,027,405
9) Maximum local contribution (82.5% * row 8) 81,697,609
10) Target local contribution (lesser of row 7 or row 9) 59,715,545
11) Target local share (row 10 as % of row 8) 60.30%
12) Target aid share (100% minus row 11) 39.70%

1/23/2013
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 (100% in FY14).
- 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 3% is added to the preliminary contribution. For those below by between 2.5 and 7.5%, 2% is added.
Local Contribution
Example – Required Local Contribution Calculation

100 FRAMINGHAM

FY14 Increments Toward Goal

13) Required local contribution FY13 63,794,168
14) Municipal revenue growth factor (DOR) 3.44%
15) FY14 preliminary contribution (13 x 14) 65,988,687
16) Preliminary contribution pct of foundation (15/8) 66.64%

If preliminary contribution is above the target share:
17) Excess local effort (15 - 10) 6,273,142
18) 100% reduction toward target (17 x 100%) 6,273,142
19) FY14 required local contribution (15 - 18), capped at row 8 59,715,545
20) Contribution as percentage of foundation (19 / 8) 60.30

If preliminary contribution is below the target share:
21) Shortfall from target local share (11 - 16)
22) Added increment toward target (13 x 2% or 3%)*
   *2% if shortfall is between 2.5% and 7.5%; 3% if shortfall > 7.5%
23) Shortfall from target after adding increment (10 - 15 - 22)
24) FY14 required local contribution (15 + 22)
25) Contribution as percentage of foundation (24 / 8)
Reaching the Targets Over Time

- Local contribution and aid targets were first defined in FY07, with a projected five-year phase-in.
- Phase-in was slowed by state revenue crisis.
- House 1 Chapter 70 proposal fully implements the effort-reduction targets for the first time.
- 241 communities with excess effort are reduced by 100% of that excess, amounting to $202 million in lower required contributions.
- 110 communities are below their targets and are moved closer by their mrgfs, plus
  - an additional 2 percent if below by 2.5 to 7.5% (n=44)
  - an additional 3 percent if below by more than 7.5% (n=20)
  - The additional contributions total $28 million.
Reaching the Targets Over Time
Above Target Example, Rowe

Target and Required Local Contribution Percentages

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY07</td>
<td>82.5</td>
<td>150</td>
</tr>
<tr>
<td>FY08</td>
<td>82.5</td>
<td>110.8</td>
</tr>
<tr>
<td>FY09</td>
<td>82.5</td>
<td>122.5</td>
</tr>
<tr>
<td>FY10</td>
<td>82.5</td>
<td>113.7</td>
</tr>
<tr>
<td>FY11</td>
<td>82.5</td>
<td>90.3</td>
</tr>
<tr>
<td>FY12</td>
<td>82.5</td>
<td>89.4</td>
</tr>
<tr>
<td>FY13</td>
<td>82.5</td>
<td>83.8</td>
</tr>
<tr>
<td>FY14 prelim</td>
<td>82.5</td>
<td>81.9</td>
</tr>
</tbody>
</table>
Reaching the Targets Over Time
Below Target Example, West Newbury

Target and Required Local Contribution Percentages

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY07</td>
<td>82.5</td>
<td>50.8</td>
</tr>
<tr>
<td>FY08</td>
<td>82.5</td>
<td>55.6</td>
</tr>
<tr>
<td>FY09</td>
<td>82.5</td>
<td>60.8</td>
</tr>
<tr>
<td>FY10</td>
<td>82.5</td>
<td>62.8</td>
</tr>
<tr>
<td>FY11</td>
<td>82.5</td>
<td>67.1</td>
</tr>
<tr>
<td>FY12</td>
<td>82.5</td>
<td>69.3</td>
</tr>
<tr>
<td>FY13</td>
<td>82.5</td>
<td>73.7</td>
</tr>
<tr>
<td>FY14 prelim</td>
<td>82.5</td>
<td>76.7</td>
</tr>
</tbody>
</table>
Progress Toward Target Contributions

Chapter 70 Minimum Local Contributions
Amounts Above and Below Targets

- Millions of Dollars

- FY07: 496.9
- FY08: 370.5
- FY09: 249.5
- FY10: 193.9
- FY11: 256.2
- FY12: 234.6
- FY13: 195.3
- FY14: 0.0

- FY07: -321.5
- FY08: -332.4
- FY09: -337.8
- FY10: -306.0
- FY11: -217.4
- FY12: -200.9
- FY13: -195.7
- FY14: -173.5

1/23/2013
Progress Toward Target Contributions

FY07: 1st Year

FY14: 8th Year

1/23/2013
Regional Allocation
Example: Berkley

- The city or town’s required local contribution is allocated among the districts in which it is a member.
- This is based upon the share of it’s total foundation budget.

Foundation Budget = $11.31M

- BERKLEY 60%
- SOMERSET BERKLEY 24%
- BRISTOL PLYMOUTH 14%
- BRISTOL COUNTY 2%

Required Local Contribution = $5.38M

- BERKLEY 60%
- SOMERSET BERKLEY 24%
- BRISTOL PLYMOUTH 14%
- BRISTOL COUNTY 2%
Calculating Chapter 70 Aid

- Base aid = FY13 c70 ($4.173 billion).

- Add together the base aid and the required local contribution.

- If the combined amount is less than foundation budget, then foundation aid provides additional funding for districts to spend at foundation levels. (179 operating districts)

- Each district receives at least $25 per pupil in additional aid over FY13 (151 operating districts).
Progress Toward Target Aid Share

Chapter 70 Aid, SFSF, and EduJobs Amounts Above and Below Target

- Aid Above Target
- Aid Below Target

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Aid Above Target</th>
<th>Aid Below Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY07</td>
<td>394.9</td>
<td>-176.3</td>
</tr>
<tr>
<td>FY08</td>
<td>421.0</td>
<td>-143.0</td>
</tr>
<tr>
<td>FY09</td>
<td>440.4</td>
<td>-105.5</td>
</tr>
<tr>
<td>FY10</td>
<td>413.6</td>
<td>-97.8</td>
</tr>
<tr>
<td>FY11</td>
<td>489.3</td>
<td>-75.7</td>
</tr>
<tr>
<td>FY12</td>
<td>360.6</td>
<td>-110.4</td>
</tr>
<tr>
<td>FY13</td>
<td>372.9</td>
<td>-84.7</td>
</tr>
<tr>
<td>FY14</td>
<td>372.1</td>
<td>-0.02</td>
</tr>
</tbody>
</table>
Progress Toward Target Aid Share

FY07: 1st Year

FY14: 8th Year

Target Aid Share as a % of Foundation

Chapter 70 Aid as a % of Foundation

FY07 Chapter 70 % of Foundation  ■ FY07 Target Aid %

FY14 Chapter 70 % of Foundation  ■ FY14 Target Aid %
Chapter 70 Website

http://finance1.doe.mass.edu/chapter70/
Chapter 70 Contact Info

• Melissa King, 781-338-6532, mking@doe.mass.edu

• Roger Hatch, 781-338-6527, rhatch@doe.mass.edu