*****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 21, 2021 |
| **Subject:** | FY22 Senate Ways & Means Budget Proposal |

On May 11th, the Senate Ways and Means Committee (SWM), released its budget recommendations for fiscal year 2022. The SWM budget proposal recommends total state spending of $47.6 billion. SWM has prioritized spending increases for key areas, including support to cities and towns, equitable access to educational opportunities, access to health care and support for safety net programs, and expanded economic opportunities and relief for working families.

The Department’s recommended appropriations total $6.37 billion, which represents an increase of $255 million (4.2%) over FY21 budgetary resources. The FY22 SWM budget proposal includes $219.9 million increase for Chapter 70, $40 million in Foundation Reserve to address significant student enrollment reduction due to the pandemic, $27.7 million increase for Circuit Breaker reimbursements, $31.78 million for District Charter School Tuition Reimbursements, $3.6 million increase to Adult Basic Education, and $6 million for COVID Social Behavioral Health Grants.

The following summarizes SWM’s education recommendations by program area.

1. **Education Local Aid & Reimbursements**

Chapter 70 aid (7061-0008) is increased by $219.6M (4.2%) to $5.503B. The FY22 Chapter 70 program reflects the passage in November 2019 of [An Act Relative to Educational Opportunity for Students](about:blank), commonly known as the Student Opportunity Act (the Act). The Act 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 House 1, these are specified as follows:

* Total state target local contribution: 59%
* Effort reduction: 100%
* Minimum aid: $30 per pupil

*Foundation budget changes*

The Act 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. The rates have been increased by 1/6 of the gap between the FY2021 rates and the final target rates. The number of tiers for the low-income increment rates is increased 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 have been 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 FY2022 the increase is 2.78%. An inflation increase of 1.41% has been applied to all other foundation budget rates, based on the U.S. Department of Commerce’s state and local government price deflator.

The combination of inflation, rate increases dictated by the Act, and the low-income enrollment expansion increased statewide foundation budgets by $300 million or 2.58%, despite the impact of a statewide enrollment decline of 3.26%, due in part to the ongoing pandemic. Overall foundation enrollment decreased from 938,085 in FY2021 to 907,506 in FY2022, a decrease of 30,579. Foundation budgets declined for 147 operating districts, including 27 districts with declines of more than 5%.

The Act also adds a new minimum aid adjustment to the formula. This provides hold harmless aid to 16 operating school districts that would otherwise have higher aid levels if the Act were not implemented.

Finally, the formula’s minimum aid provision guarantees all operating districts receive at least the same amount of aid in FY2022 as they did in FY2021 plus at least $30 per pupil. Therefore, the enrollment changes and any associated foundation budget decreases did not yield less aid than FY2021.

*Low-income and special education enrollment*

The Act reinstates the definition of low-income enrollment used prior to FY2017, based on 185% of the federal poverty level. It replaces the economically disadvantaged designation (based on 133% of the federal poverty level) used from FY2017 through FY2021. For FY2022, a district’s low-income enrollment is the higher of: (a) the number of students matched through the Department’s current direct certification process (which identifies students whose families have been approved for various federal and state benefit programs) or (b) the district’s FY2016 low-income percentage multiplied by its current foundation enrollment. Statewide low-income enrollment for FY2022 is 382,088, including students matched through direct certification and estimated student counts based on FY2016, compared to 351,970 identified as economically disadvantaged in FY2021, which only includes students who were directly certified.

The Act also increases the assumed in-district special education enrollment to 5% for vocational students and 4% for non-vocational students. In FY2022, these assumed rates have been increased by 1/6 of the gap to 4.83% and 3.83%, respectively.

*Required local contributions*

The aggregate wealth model that has been used to determine local contribution requirements since FY07 remains in place.

Also, in FY22, municipalities may deem an amount up to 75% of the total grant awarded to its local school district through the Elementary and Secondary Education Emergency Relief (ESSER) program enacted by the federal coronavirus response and relief supplemental appropriations act on December 27, 2020 (also known as ESSER II) to fund any *increase* in its local contribution requirement under Chapter 70, but not more than the increase in required local contribution in FY22 relative to FY21. In the case of a municipality’s increased required contribution as a member of a regional school district, a municipality may deem a proportional share of 75% of the regional district’s total ESSER II grant award, equal to the municipality’s share of the district’s total required contribution, to satisfy the increase in its required contribution.

This provision will allow districts to use up to $125.1 million of [ESSER II funding](https://www.doe.mass.edu/federalgrants/esser/) to satisfy net school spending increases, which represents about 19% of the total ESSER II grants available for school districts. It is important to note that these funds can only be used to meet FY22 spending requirements and will not count toward meeting spending requirements carried forward from prior fiscal years. Of the 228 (out of 318) school districts with increased required local contributions in FY22, 143 or 63% are receiving sufficient ESSER II funding to offset 100% of the increase using between 1% and 75% of their total ESSER II awards. It is important to note, however, that many districts are voluntarily contributing much more funding above requirement than the amount eligible for substitution with ESSER II funding under this provision.

Finally, pursuant to its codification in the Act, 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 FY22.

*Enrollment reserve fund*

The budget also includes a $40 million reserve fund (7061-0011) to address the impact that pandemic related enrollment loss had on state aid or transportation costs. The distribution of these funds will be determined after October 1, 2021 enrollment is reported.

*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 FY22 have been incorporated into our projected FY22 tuition rates. In addition, charter school low-income enrollment for FY22 has been calculated in a manner consistent with the methodology used for districts. The facilities component of the tuition rate is held constant at FY21 levels, at $938 per pupil, with this cost fully reimbursed by the state as in prior years.

Senate Ways and Means has also proposed an increase of $31.8M over the FY21 GAA for Charter School Tuition Reimbursements (7061-9010) to $149.1M.The reimbursement formula for transitional aid to districts reflects the change enacted by Section 38 of the FY20 budget, with an entitlement 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 Act requires 75% of the total state obligation to be funded in the first year, 90% in the second, and 100% in subsequent years. The $149.1M appropriation level is expected to meet or exceed the 75% requirement 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.

In calculating charter school tuition payments, the Department is excluding the per pupil amount of required local contribution that may be supported by each sending school district’s ESSER II

award, consistent with the fact that federal funds cannot be transferred to charter schools in district tuition payments. This exclusion results in a reduction in tuition payments to charter schools of $9.0M. Like districts, charter schools will be able to access their own ESSER II funding to make up for this tuition reduction. However, in cases where charter schools would otherwise need to use more than 75% of their ESSER II funding to offset the tuition reduction, the state will direct additional state payments to these schools totaling $389,376 to make up the difference. In total, charters will be able to use $8.6M of their available ESSER II funding to offset for lost tuition revenue, which represents 13% of their total available ESSER II awards.

Special Education Circuit Breaker reimbursement (7061-0012) is increased by $27.7M over the FY21 level to $372.88M.

The FY22 SWM budget has proposed a $1M increase for METCO Program (7010-0012) and for Homeless Transportation (7035-0008). The FY22 SWM proposal has reduced Regional School Transportation (7035-0006) by $3.5M to $78.6M.

1. **Literacy Account and English Language Acquisition**

SWM does support the House 1 proposed consolidation of the Literacy and English Language Acquisition accounts into a newly renamed 7010-0033 English Acquisition and Literacy Programs account but has reduced overall funding by $989K to $6M.

1. **Program Changes**

The FY22 SWM budget proposal eliminates spending for the following accounts previously funded in FY21:

* 7010-1193 Civics Education Programs ($1M reduction)
* 7010-1194 Financial Literacy Education ($250K reduction)
* 7010-1202 Computer Science Education/Digital Literacy NOW ($1M reduction)
* 7061-0027 COVID and Student Support Grants ($53M reduction)
* 7061-9406 College and Career Readiness Program ($875K reduction)
* 7061-9650 Supporting Healthy Alliance Reinforcing Education Grants ($2M reduction)

SWM has maintained funding for the 1595-0115 Civics Project Trust Fund at $1.5M.

7010-1192 Education Improvement Project Grants is funded at $1M for various earmarks.

For 7027-0019 Connecting Activities, SWM recommends funding of $7M, $600K more than the FY21 General Appropriations Act (GAA).

SWM has proposed a $456K decrease for 7028-0031 Special Education in Institutional Settings to $7.97M.

The FY22 SWM budget proposal has an increase of $1M for Career and Technical Education Program (7035-0001) to $2.5M.

The SWM budget proposal increases Adult Basic Education (7035-0002) to $50 million, a $3.6M increase over FY21.

SWM has proposed $6M for a new 7061-0028 COVID-19 Social Behavioral Health Grant line item to adapt, expand, or strengthen multi-tiered systems of support to respond to the social emotional and behavioral health needs of students, families, and educators.

7061-0029 School and District Accountability Reviews and Monitoring is funded at $925K, a $91K reduction from the FY21 GAA.

SWM has proposed a $500K increase to 7061-9200 Education Data Services to $1.08M for additional personnel support.

The FY22 SWM proposal has decreased funding for 7061-9408 Targeted Assistance by $1.52M to $12.55M.

7061-9412 Expanded Learning Time Grants is reduced by $3.1M to $6.2M in the FY22 SWM budget proposal.

SWM has proposed a $100K reduction to 7061-9607 Recovery High Schools to $2.6M.

7061-9611 After-School Grant Program is reduced by $4.66M to $6.57M in the FY22 SWM budget proposal.

The FY22 SWM budget has proposed an increase of $200K to 7061-9634 Mentoring Matching Grants to $1.2M.

SWM has funded 7061-9815 Grants for Hate Crimes and Bias Prevention at $400K.

DESE’s other accounts are level funded in the SWM proposal with either the removal of legislative earmarks and/or changes in FY22 payroll costs.

The attached chart summarizes SWM’s FY22 budget recommendations in comparison to our current and prior year’s appropriation history and identifies variances.

The Senate plans to start its budget debate on May 25th.

Please let us know if you have any questions or concerns. A discussion of the SWM budget proposal will be on the agenda at the Board meeting on May 25, 2021.

Attachment: Senate Ways and Means Summary