*****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:** | April 20, 2023 |
| **Subject:** | FY24 House Ways and Means Budget Proposal |

On April 12th, the House Ways and Means Committee (HWM), released its budget recommendations for fiscal year 2024. The HWM budget recommends total state spending of $54.8 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 $7.98 billion, which represents an increase of $739 million (10.2%), over FY23 projected spending. The HWM budget fully funds three-sixths of the goal rate for Chapter 70 called for in the Student Opportunity Act. This includes an increase of $595.8 million in Chapter 70 funding and $65 million for special education circuit breaker reimbursement. HWM also funds 7061-0009 at a level of $7.86M to provide an additional $30 per pupil in minimum aid to eligible school districts. This minimum aid account is in addition to the $30 minimum per pupil aid contained in the Chapter 70 appropriation (7061-0008).

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

1. **Education Local Aid & Reimbursements**

Chapter 70 aid (7061-0008) is increased by $595.8 million (9.9%) to $6.584 billion. The FY24 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 HWM, these are specified as follows:

* Total state target local contribution: 59%
* Effort reduction: 100%
* Minimum aid: $60 per pupil

*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, all to be phased in by FY27. For FY24, the rates have been increased by three-sixths of the gap between the rates in FY21—the base year used in the calculations—and the final goal 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 FY24 the increase is 5.16%. An inflation rate of 4.50% is applied to all other foundation budget rates, based on the U.S. Department of Commerce’s state and local government price deflator and capped at the 4.50% maximum set in the SOA. The SOA does not set a maximum for the employee benefits inflation rate.

Statewide, foundation enrollment increased from 903,751 in FY23 to 905,106 in FY24, an increase of 1,355 or 0.15%. Foundation enrollment decreased for 174 districts, while 13 districts experienced enrollment increases of greater than five percent.[[1]](#footnote-2)

Finally, the formula’s minimum aid provision guarantees all districts receive at least the same amount of aid in FY24 as they did in FY23 plus at least $60 per pupil, funded through line items 7061-0008 and 7061-0009.

*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 FY23. For FY24, 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 certified as low-income through the new supplemental data collection process; or
* Students reported by a district as homeless through the McKinney-Vento Homeless Education Assistance program application.

Statewide, low-income enrollment for FY24 is 421,305, compared to 407,501 in FY23.

The SOA also increases the assumed in-district special education enrollment to 5% for vocational students and 4% for non-vocational students. In FY24, these assumed rates have been increased by two-sixths of the gap to 4.90% and 3.90% respectively.

*Required local contributions*

The aggregate wealth model that has been used to determine local contribution requirements since FY07 and that is now codified in the SOA remains in place. For municipalities with required contributions above their targets, the equity component of the formula sets their contributions at target.

Finally, pursuant to its codification in 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 FY24.

*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 FY24 have been incorporated into our projected FY24 tuition rates. In addition, charter school low-income enrollment for FY24 has been identified using the same eligibility criteria used for districts. The facilities component of the tuition rate is $1,088 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 provides 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 requires 75% of the total state obligation to be funded in the first year, 90% in the second, and 100% in subsequent years. The HWM has recommended a $230.3 million appropriation for these reimbursements. This appropriation level is expected to fund 100% of the of the state’s obligation 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.

*Rural Aid*

The account is funded at $10M, an increase of $4.5M for Rural Aid (7061-9813).

*Circuit Breaker*

Special Education Circuit Breaker reimbursement (7061-0012) is increased by $65M over the FY23 level to $506M and accelerates the phase-in of a provision of the SOA to reimburse up to 75% of out-of-district special education transportation costs. The appropriation includes $20M for the Emergency Relief component of the Circuit Breaker program.

*Transportation Reimbursements*

HWM provides increased reimbursement of $25.6 million for Regional School Transportation (7035-0006) and increased reimbursement of $5.7M for Homeless Transportation (7035-0008). Non-Resident Vocational Student Transportation (7061-0007) is not funded in the FY24 HWM budget.

1. **Program Changes**

The FY24 HWM budget has proposed the following funding increases:

* $592K increase for the 7010-0012 METCO account to $30M.
* $350K increase to 7027-0019 School-To-Work Connecting Activities to $9M
* $1M increase to 7010-0020 Career Technical Partnership Grants (Innovation Pathways) to $5.8M
* $1.5M increase to 7035-0001 Career and Technical Education Program to $5M
* $5M increase to 7035-0002 Adult Basic Education to $65M
* $323K increase to 7061-0029 School and District Accountability Reviews to $1.38M
* $1M increase to the 7061-9408 Targeted Assistance account to $16.17M
* $2M increase to 7061-9814 Summer Learning to $3M

The HWM budget has added the following line items for FY24:

* $161M for 1596-2422 Universal School Meals
* $100M for 1596-2424 Green School Works account to install or maintain clean energy infrastructure
* $375K for 7010-1196 to promote the healthy development of young children and their families living in underserved communities of the city of Boston through trauma-informed, multi-generational family support and community engagement.

The following accounts have received a reduction to the FY23 GAA level in the FY24 HWM budget proposal:

* 1595-0015 Civics Project Trust Fund is reduced by $500K to $1.5M
* 7010-1193 Civics Education Program is reduced by $600K to $1M
* 7027-1004 English Language Acquisition is reduced by $993K to $3.6M
* 7035-0035 AP Math and Science Program is reduced by $100K to 3.3M
* 7061-0009 Minimum Pupil Aid is reduced by $1.82M to $7.86M
* 7061-9412 Expanded Learning Time Grant Program is reduced by $1.18M to $4.8M
* 7061-9611 After-School Grant Program is reduced by $300K to $10.57M
* 7061-9624 WPI Schools of Excellence is reduced by $500K to $1.5M
* 7061-9626 YouthBuild Program is reduced by $600K to $2.4M
* 7061-9634 Mentoring Matching Grant Program is reduced by $300K to $1.2M

FY24 HWM eliminates spending for five accounts previously funded in FY23:

* 1595-0116 Genocide Education Trust Fund ($1.5M reduction)
* 7035-0007 Non-Resident Vocational Students Transportation ($250K reduction)
* 7061-0028 Social Emotional Learning Grants ($6M reduction)
* 7061-9401 Assessment Consortium ($550K reduction)
* 7061-9805 Educator Scholarship and Loan Repayment Program administered by DHE ($15M reduction)

In addition, 7061-9812 Child Sexual Abuse Prevention ($2.35M) has been transferred to the Children’s Trust Fund under account 3000-2060.

DESE’s other accounts are level funded in the HWM proposal with either the removal of legislative earmarks and/or changes in FY24 payroll costs.

The attached chart summarizes the FY24 HWM budget recommendations in comparison to our current and prior year’s appropriation history and identifies variances.

The House is starting the budget debate during the week of April 24th.

Please let me know if you have any questions or concerns. A discussion of the HWM education budget proposal for FY24 will be on the agenda at the Board meeting on April 25, 2023.

Attachment: FY24 House Ways & Means Budget Summary

1. Foundation enrollment for any given fiscal year is based on October 1 enrollment from the prior year, so FY24 foundation enrollment is based on October 2022 SIMS data. [↑](#footnote-ref-2)