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| **To:** | Members of the Board of Elementary and Secondary Education |
| **From:**  | Patrick Tutwiler, Interim Commissioner  |
| **Date:**  | April 28, 2025 |
| **Subject:** | FY26 House Ways and Means Budget Proposal  |

On April 16th, the House Ways and Means Committee (HWM), released its budget recommendations for fiscal year 2026. The HWM budget recommends total state spending of $61.4 billion, including $1.95 billion in surtax spending on education and transportation. 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 for the Department of Elementary and Secondary Education (DESE) total $8.636 billion, which represents an increase of $426.4 million (5.2%), over FY25 projected spending.  This total recommendation includes $614M in funding from the surtax revenue.

The FY26 HWM budget also includes $15 million for Year 2 of the Literacy Launch program to improve early literacy rates in young learners under the Executive Office of Education (1596-2437).  In addition to this Fair Share surtax funded initiative, HWM has filed a companion FY25 supplemental budget request ($614M), including the following education program highlights.

* $240M to support Ch.70 Aid
* $190M for Special Education Circuit Breaker
* $50M for Regional/Non-Resident Vocational Transportation
* $25M for High Dosage Tutoring
* $8.5M for Adult Basic Education/English as Second Language

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

1. **Education Local Aid & Reimbursements**

**Chapter 70 aid (7061-0008 and 1596-2438)** is increased by $459.9 million (6.7%) to $7.36 billion. The FY26 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 the FY26 HWM budget, these are specified as follows:

* Total state target local contribution: 59%
* Effort reduction: 100%
* Minimum aid: $150 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, which are all expected to be phased in by FY27. For FY26, the rates have been increased by 5/6ths of the gap between the rates in FY21, the base year used in the calculations—and the final target 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 FY26 the increase is 6.13%. An inflation rate of 1.93% is applied to all other foundation budget rates, based on the U.S. Department of Commerce's state and local government price deflator.

Statewide, foundation enrollment decreased from 905,572 in FY25 to 905,254 in FY26, a decrease of 318 students. Foundation enrollment decreased for 196 districts, while 118 districts experienced enrollment increases.

Finally, the formula's minimum aid provision guarantees all districts receive at least the same amount of aid in FY26 as they did in FY25 plus a $150 per pupil increase.

*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 FY22. For FY26, 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 verified as low income through a supplemental data collection process first used for Chapter 70 in FY23; or
* Students reported by a district as homeless through the McKinney-Vento Homeless Education Assistance program application.
* Statewide, low-income enrollment for FY26 is 419,861, compared to 415,821 in FY25.

The SOA also provides for a phase-in of increases to the assumed in-district special education enrollment to 5% for vocational students and 4% for non-vocational students. In FY26, these assumed rates have been increased by 5/6ths of the gap to 4.97% and 3.97%, respectively.

*Required local contributions*

The aggregate wealth model that has been used to determine target local contribution requirements since FY07 is now codified in Chapter 70 by the SOA. For municipalities with preliminary required contributions above their targets, the effort reduction component of the formula closes 100% of the gap between their preliminary contribution and their contribution target. For municipalities with preliminary required contributions significantly below their targets, the formula continues to apply an additional increment to their required contribution to close a portion of the gap to their contribution target.

Finally, pursuant to its codification in Chapter 70 by 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 FY26.

*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 FY26 have been incorporated into our projected FY26 tuition rates. In addition, charter school low-income enrollment for FY26 has been identified using the same eligibility criteria used for districts. The facilities component of the tuition rate is $1,188 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 provided 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. HWM has recommended a $199.0 million appropriation for these reimbursements. This appropriation level is expected to meet the 100% requirement in FY26.

The projected assessments and reimbursements for charter tuition payments at this point can be useful for budget planning but should not be viewed as final numbers, given normal fluctuations in both projected and actual enrollments which occur over the course of the fiscal year.

**Special Education Circuit Breaker reimbursement (7061-0012)**

This account was funded by multiple accounts in FY24 and FY25. Along with the typical budget funding ($498.9M in FY24 and $493.2M in FY25) an additional reserve of $75M was passed in FY24. In FY24, $18.7M was expended from the reserve, leaving $56.3M available for FY25 reimbursements. So combined, in FY24 $517.6M was available and in FY25 $549.4M was available. In FY26, HWM will fund the program at $484.6M.  In addition, the House passed a supplemental budget to add another $190M of Fair Share funding.  This funding level is projected to reimburse 100% of the entitlements and traditional earmarks provided for under the Circuit Breaker program.

* This reimbursement projection includes the new, out-of-district transportation costs made eligible under a provision of the Student Opportunity Act (SOA) funded at the statutory maximum.

**Transportation** **Reimbursements**

The FY26 HWM budget also proposes $57.1M for Regional School Transportation (7035-0006) and eliminates $1M in funding for Non-Resident Vocational Transportation but included funding for this purpose in the aforementioned passed supplemental budget that included an additional $50M to fund both Non Resident Vocational and Regional Transportation. The funding should reimburse regional school transportation at 95% of the projected entitlement.

Homeless Transportation is level funded at the FY25 level ($28.6M).

1. **Other Program Funding Highlights**

**School Nutrition**

* 1596-2422 Universal School Meals is funded at $190M which is a $20M increase from FY26 H.1 and a $10M increase from FY25 GAA + FY25 Fair Share supplemental budget proposal.

**Career and Adult Education**

* 7035-0002 Adult Basic Education is funded at $58.9M, plus 1596-2514 ABE Fair Share, totaling $67.5M, which is a $21.5M decrease from FY26 H.1 and a $7.6M increase from the FY25 GAA.
* 7027-0019 School-To-Work Connecting Activities Act is funded at $6.5M which equals funding in H.1 and a $1.6M decrease from the FY25 GAA.
* 7027-0020 Career Technical Partnership Grants (Innovation Pathways) is funded at $4.8M which equals funding in H.1 and a $578K decrease from the FY25 GAA.
* 7035-0001 Career and Technical Education Program is funded at $3.1M which equals funding in H.1 and a $382K decrease from the FY25 GAA.
* 7061-9406 College and Career Readiness Program (JFY NetWork earmark) is funded at $875K which is a $875K increase from FY26 H.1 and a $875K increase from the FY25 GAA.

**Literacy**

* 7010-0033 Consolidated Literacy Programs is funded at $5.7M, and except for an earmark of $440K is consistent with H.1.
* As referenced earlier Year 2 of the Governor’s Literacy Launch Initiative is funded at EOE (1596-2437), with $15M for FY26. This is $10M less than the H.1 request.

**Social & Emotional Supports**

* 1596-2436 Mental Health Systems and Wraparounds is not funded in the HWM budget, which is a $5M decrease from FY26 H.1 and a $5M decrease from FY25 GAA. DESE is working with ANF to PAC (prior appropriation continued) most of the FY25 budget into FY26 for spending.
* 7061-0028 Social Emotional Learning Grants is not funded in the HWM budget, which is a $6M decrease from H.1 and a $6M decrease from the FY25 GAA.
* 7061-9650 Supporting Healthy Alliances Reinforcing Education (SHARE) Grant Program is funded at $1M which is a $1M increase from H.1 and a $1M increase from the FY25 GAA.

**Civics Education**

* 1595-0035 Civics Education Trust is funded at $2.5 M which equals the H.1 recommendation.
* 7010-1193 Civics Education Programs (earmarks to the JFK Library and EMK Institute) are funded at $1M which is a $1M increase from FY26 H.1.

**School Facilities Support**

* 1596-2424 Green School Works is funded at $20M, which is a $20M increase from FY26 H.1. In FY25, DESE is working in partnership with the MA Clean Energy Center on issuing $10M in grants on a multi-year basis in FY26 and beyond.

The attached chart summarizes the FY26 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 28th

Please let me know if you have any questions or concerns. A discussion of the HWM education budget proposal for FY26 will be on the agenda at the Board meeting on April 29, 2025.

Attachment