MEMORANDUM

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| **To:** | Members of the Board of Elementary and Secondary Education |
| **From:** | Patrick Tutwiler, Interim Commissioner  |
| **Date:** | June 17, 2025 |
| **Subject:** | FY26 Senate Budget Proposal  |

On May 22nd, the Massachusetts Senate approved its recommendations for the upcoming FY26 state budget year and added over $8 million to Department of Elementary and Secondary Education (DESE) line items. Of the $8 million, $7.49 million is designated for legislative earmarks. The remaining $500,000 has been added to the 1595-0115 Civics Project Trust Fund.

The recommended appropriations for DESE total $8.6 billion. This represents an increase of $407 million (5%), over FY25 projected spending.  The recommendation includes $490M in funding from the Fair Share surtax revenue. The FY26 Senate budget also includes $20 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, Senate has filed a companion FY25 supplemental budget request ($275M), including the following education programs:

* $190M for Special Education Circuit Breaker
* $25M for High Dosage Tutoring
* $10M for Adult Basic Education/English as Second Language
* $50M for School Construction Grants

The following summarizes the Senate’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 Senate 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, ultimately reaching 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 the 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 $1,288 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. The Senate has recommended a $183.8 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 sources 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. When combined, in FY24 $517.6M was available and in FY25 $549.4M was available. In FY26, the Senate budget will fund the program at $492M.  In addition, the Senate 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 SOA funded at the statutory maximum.

**Transportation** **Reimbursements**

The FY26 Senate budget also proposes $53.7M for Regional School Transportation (7035-0006) and level funds Non-Resident Vocational Transportation at $1M. The aforementioned passed supplemental budget included an additional $50M (1596-2451) to fund Regional Transportation. The funding should reimburse regional school transportation at 85% of the projected entitlement.

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

1. **Other Program Funding Highlights**

**Career and Adult Education**

* 7035-0002 Adult Basic Education is funded at $58.9M, plus 1596-2514 ABE Fair Share, totaling $68.9M, which is a $20M decrease from FY26 H.1 and a $9M 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 is 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 is a $578K decrease from FY25 GAA.
* 7035-0001 Career and Technical Education Program is funded at $3.1M which equals funding in H.1 and is a $382K decrease from the FY25 GAA.

**Literacy**

* 7010-0033 Consolidated Literacy Programs is funded at $5.3M and is consistent with H.1.
* As referenced earlier, Year 2 of the Governor’s Literacy Launch Initiative is funded at EOE (1596-2437), with $20M for FY26. This is $5M less than the H.1 request.

**Social & Emotional Supports**

* 1596-2436 Mental Health Systems and Wraparounds is level funded at $5M in the Senate budget.
* 7061-0028 Social Emotional Learning Grants is level funded at $6M in the Senate budget.
* 7061-9650 Supporting Healthy Alliances Reinforcing Education (SHARE) Grant Program is not funded in the Senate budget which is a $1M decrease from FY26 H.1 and FY25 GAA.

**Civics Education**

* 1595-0035 Civics Education Trust is funded at $3M which is $500K higher than the FY25 GAA budget.
* 7010-1193 Civics Education Programs (earmarks to the JFK Library and EMK Institute) are not funded in the Senate budget which is a $1.5M decrease from FY25 GAA.

**School Facilities Support**

* 1596-2424 Green School Works is not funded in the Senate budget which is a $10M decrease from FY25 GAA. 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.

WPI Schools of Excellence (7061-9626) is not funded in the Senate budget which is a $2M reduction from the FY25 GAA.

The attached chart summarizes the FY26 Senate budget recommendations in comparison to our current and prior year’s appropriation history and identifies variances.

Please let me know if you have any questions or concerns. A discussion of the current status of the FY26 state education budget proposal will be on the agenda at the Board meeting on June 24, 2025.

Attachment