FY23 Chapter 70 aid and Charter reimbursements

November 17, 2022

MASSACHUSETTS DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

01

FY23 Chapter 70 funding

FY23 Chapter 70 continues implementation of the Student Opportunity Act (the Act)

- FY23 Chapter 70 is $5,998,209,887, a $494.9 million increase (9.0%) over FY22
- The Act establishes new, higher foundation budget rates in 5 areas:
  - Benefits and fixed charges
  - Guidance and psychological services
  - Special education out-of-district tuition
  - English learners
  - Low-income students
- FY23 Chapter 70 includes rate changes above inflation toward the goal rates in these 5 areas and closes 2/6th of the gap

The low-income threshold is set at 185% of the federal poverty level in accordance with the Act

- The Act restores the definition of low-income enrollment used prior to FY17, based on 185% of the federal poverty level, up from the 133% threshold used for the economically disadvantaged match from FY17 to FY22
  - Statewide low-income enrollment for FY23 is 407,501, compared to 382,088 for FY22

- For FY23, the Department designates a student enrolled on October 1st as low income if the student is:
  - Identified as participating in state public assistance programs, including the Supplemental Nutrition Assistance Program, Transitional Aid to Families with Dependent Children, MassHealth, and foster care; or
  - Verified as low income through the new supplemental data collection process; or
  - Reported by a district as homeless through the McKinney-Vento Homeless Education Assistance program application

The Act also increases the assumed in-district special education enrollment percentages

- The Act increases the rate for vocational students from 4.75% to 5% and from 3.75% to 4% for non-vocational students
- Proposed rate increases for FY23 close an additional 1/6th of the gaps, so the factors used for FY23 are 4.86% and 3.86%, respectively

On top of the targeted rate increases, all foundation budget categories have been adjusted upward to account for inflation

- An employee benefits inflation rate is applied to the employee benefits and fixed charges category
  - Based on the enrollment-weighted, three-year average premium increase for all GIC plans
  - For FY23 the increase is 4.51%
- An inflation increase of 4.50% has been 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 Act

The Act also adds a new minimum aid adjustment to the formula

- This provision provides hold harmless aid to operating districts that otherwise would have lost aid due to the new foundation budget factors
  - Determines the aid that these districts would have received if foundation budget rates were only increased by inflation
  - If this amount is higher than the revised formula amount, districts get the higher amount

The Act codified the aggregate wealth model for determining local contribution requirements

- For municipalities with required contributions above targets, the requirement is reduced by 100% of the gap
- Cities and towns with combined effort yields greater than 175% of foundation have required local contributions set at not less than 82.5% of foundation
- Due to rapid increases to foundation, many communities are below target and fewer are eligible for excess effort reductions
  - 247 communities are subject to below effort increments to bring their contributions closer to target compared to 52 in FY22
  - 27 communities are eligible for excess effort reduction compared to 200 in FY22

02

Charter school tuition and reimbursements

Tuition rates for Commonwealth charter schools are based on the same foundation budget rates used in Chapter 70

- Foundation budget rate increases being implemented in FY23 have been incorporated into our projected FY23 tuition rates
- In addition, charter school low-income enrollment for FY23 has been identified using the same eligibility criteria used for districts (see slide 4)

FY23 budget implements the 3-year (100%/60%/40%) schedule for transition aid tied to year over year tuition growth

- Funding for first year reimbursements is prioritized over funding for second year reimbursements
- 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
- The Act requires that 90% of the total state obligation to be funded in FY23 and 100% in FY24 and subsequent years
- FY23 budget allocates $243.8 million for these reimbursements
  - This appropriation level is expected to meet or exceed the 90% requirement when tuition assessments are updated to reflect actual enrollments and district spending levels
- The facilities component of the tuition rate is $1,088 per pupil, with this cost fully reimbursed by the state as in prior years

03

Calculating Chapter 70 local contribution requirements and state aid

Hold harmless refers to districts that receive minimum aid (typically $30 per pupil) increases each year

- Since FY93, with few exceptions, all districts in the state receive at least as much aid as the prior year plus a minimum aid increase
- If prior year aid + current year local contribution > foundation budget, the district receives minimum aid
- Whitman-Hanson has received foundation aid at different points since FY93, most recently in FY14
- Since then, the district has been a minimum aid district and seen it's above foundation aid increase

Minimum aid has largely been driven by slow growth in the district's foundation budget due to enrollment loss

	Foundation Enrollment	Foundation Budget	Minimum Local Contribution (MLC)	Chapter 70 Aid	Above Foundation Aid	Foundation Enrollment % change	Foundation Budget % change	MLC % change	Chapter 70 aid % change
FY14	4,152	$38,579,785	$14,560,975	$24,018,810	$0				
FY15	4,067	$38,173,063	$15,278,470	$24,120,485	$1,225,892	-2.05%	-1.05%	4.93%	0.42%
FY16	3,964	$38,322,360	$16,147,370	$24,219,585	$2,044,595	-2.53%	0.39%	5.69%	0.41%
FY17	3,939	$38,333,512	$16,774,824	$24,436,230	$2,877,542	-0.63%	0.03%	3.89%	0.89%
FY18	3,860	$38,233,604	$17,627,386	$24,552,030	$3,945,812	-2.01%	-0.26%	5.08%	0.47%
FY19	3,781	$38,780,823	$18,467,197	$24,665,460	$4,351,834	-2.05%	1.43%	4.76%	0.46%
FY20	3,708	$39,870,088	$19,523,939	$24,776,700	$4,430,551	-1.93%	2.81%	5.72%	0.45%
FY21	3,659	$40,183,483	$20,355,354	$24,776,700	$4,948,571	-1.32%	0.79%	4.26%	0.00%
FY22	3,528	$40,067,181	$21,155,625	$24,882,540	$5,970,984	-3.58%	-0.29%	3.93%	0.43%
FY23	3,442	$42,679,524	$22,110,222	$25,089,060	$4,519,758	-2.44%	6.52%	4.51%	0.83%

Goal of the Chapter 70 formula

- To ensure that every district has sufficient resources to meet its foundation budget spending level, through an equitable combination of local property taxes and state aid.

The updated formula includes three parameters to be specified in each year's general appropriations act

- For FY23, these are specified as:
  - Total state target local contribution = 59%
  - Effort reduction = 100%
  - Minimum aid = $60 per pupil

There are 6 factors that work together to determine a district's Chapter 70 aid

Foundation Budget

- Enrollment
- Wage Adjustment Factor
- Inflation

Local Contribution

- Property value
- Income
- Municipal Revenue Growth Factor

There are three primary steps in determining each district's Chapter 70 aid

Define and calculate a foundation budget for each district, given the specific grades, programs, and demographic characteristics of its students

Determine an equitable local contribution requirement, how much of the foundation budget that should be paid for by each city and town's property tax, based upon the relative wealth of the municipality

Calculate state aid, providing necessary funds to reach foundation or mandated minimum aid increases

Local Contribution + State Aid = a district's net school spending (NSS) requirement
This is the minimum amount that a district must spend to comply with state law

Each district's foundation budget is calculated by multiplying the number of pupils in 13 enrollment categories by cost rates in 11 functional areas

FY23 Chapter 70 Foundation Budget

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		Base Foundation Components						Incremental Costs Above the Base						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
		------ Kindergarten ------			Junior/	High		Special Ed	Special Ed	English learners	English learners	English learners		
	Pre-school	Half-Day	Full-Day	Elementary	Middle	School	Vocational	In-District	Tuitioned-Out	PK-5	6-8	High School/Voc	Low income	TOTAL
Foundation Enrollment	**38**	**233**	**8**	**1,311**	**884**	**1,103**	**0**	**132**	**34**	**51**	**15**	**18**	**1,082**	**3,442**
1 Administration	8,049	49,352	3,389	555,353	374,471	467,242	0	385,917	110,935	5,159	1,602	1,793	70,427	2,033,688
2 Instructional Leadership	14,536	89,129	6,121	1,003,020	676,331	843,883	0	0	0	9,028	2,802	3,138	333,656	2,981,645
3 Classroom & Specialist Teachers	66,654	408,694	28,065	4,599,054	2,728,996	5,007,421	0	1,273,425	0	63,194	19,617	21,966	3,257,145	17,474,231
4 Other Teaching Services	17,095	104,817	7,198	1,179,585	572,558	594,738	0	1,188,979	1,695	9,028	2,802	3,138	0	3,681,634
5 Professional Development	2,636	16,163	1,110	182,006	133,033	160,950	0	61,429	0	2,579	801	896	158,015	719,619
6 Instructional Materials, Equipment & Techno	9,647	59,152	4,062	665,673	448,860	896,077	0	53,617	0	6,448	2,002	2,241	24,226	2,172,005
7 Guidance & Psychological Services	5,820	35,686	2,451	401,625	320,618	469,812	0	0	0	3,869	1,201	1,345	131,885	1,374,312
8 Pupil Services	1,929	11,827	812	199,692	219,948	632,846	0	0	0	1,290	400	448	685,339	1,754,532
9 Operations & Maintenance	18,509	113,490	7,793	1,277,111	933,592	1,129,472	0	431,086	0	15,476	4,804	5,379	0	3,936,712
10 Employee Benefits/Fixed Charges*	24,760	151,820	10,425	1,708,482	1,210,647	1,352,454	0	488,902	0	14,187	4,404	4,931	526,869	5,497,882
11 Special Education Tuition*	0	0	0	0	0	0	0	0	1,053,265	0	0	0	0	1,053,265
12 Total	**169,635**	**1,040,131**	**71,427**	**11,771,600**	**7,619,055**	**11,554,896**	**0**	**3,883,354**	**1,165,894**	**130,258**	**40,436**	**45,278**	**5,187,562**	**42,679,524**
13 Wage Adjustment Factor	100.0%													

*The wage adjustment factor is applied to underlying rates in all functions except instructional equipment, benefits and special education tuition.

14 Low-income percentage	31.35%
15 Low-income group	6

Foundation Budget per Pupil	**12,400**

English learner foundation budget as % total foundation budget	0.5%
Low-income foundation budget as % total foundation budget	12.2%

All of your students are counted in categories 1–7; special education, English learner, and low-income costs are treated as costs above the base and are captured in 8–13

Determining each municipality's target local share starts with the local share of statewide foundation

Calculate **statewide** foundation budget

Statewide foundation budget
$12.890B

Determine target local share of **statewide** foundation

41% State aid
$5.285B

59% Local contribution
$7.605B

Statewide, determine percentages that yield ½ from property and ½ from income

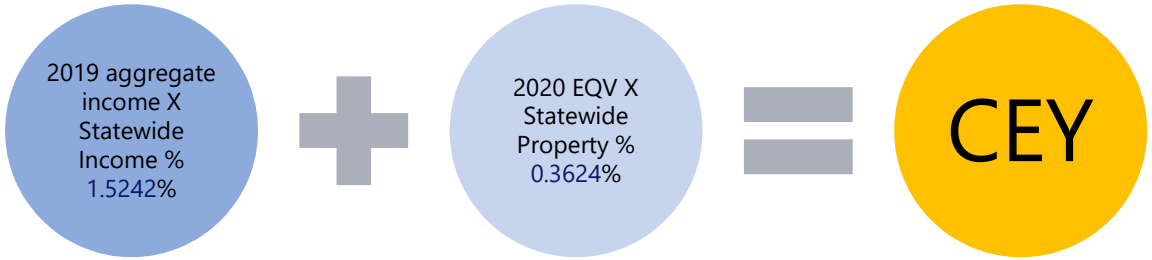
Income effort
1.5242%
$3.803B

Property effort
0.3624%
$3.803B

Property and income percentages are applied uniformly across **all cities and towns** to determine the **combined effort yield** from property and income.

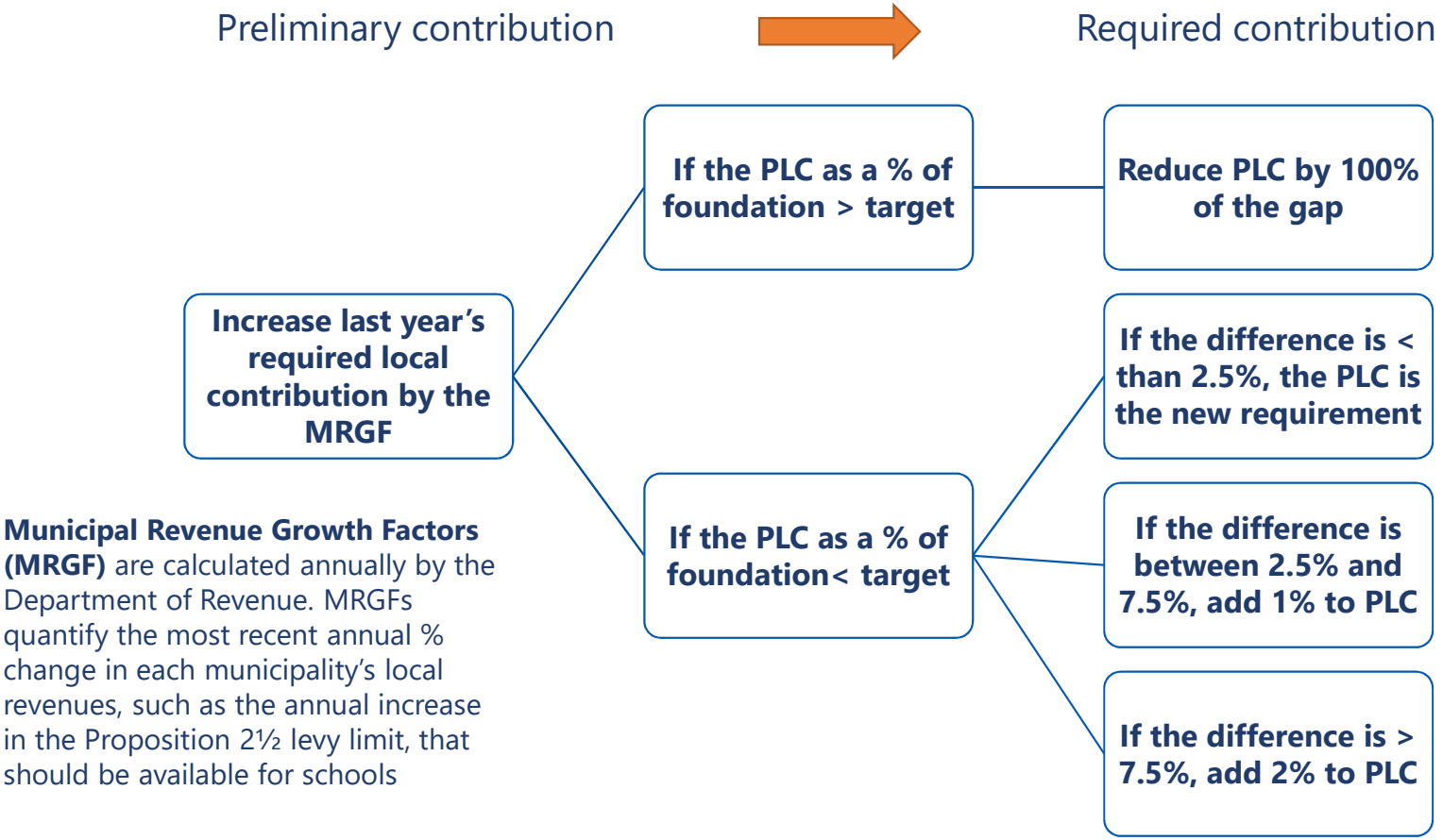
An individual municipality's target local share is based on its local property value, income, and foundation budget

- The sum of a municipality's local property and income effort equals its Combined Effort Yield (CEY)



- Target Local Share = CEY/Foundation budget (calculated at the city/town level)
  - Capped at 82.5% of foundation (168 municipalities or 48% are capped)

Next the formula calculates each municipality's preliminary local contribution (PLC) and makes adjustments relative to target to determine the required local contribution (RLC)



Municipal Revenue Growth Factors (MRGF) are calculated annually by the Department of Revenue. MRGFs quantify the most recent annual % change in each municipality's local revenues, such as the annual increase in the Proposition 2½ levy limit, that should be available for schools

Hanson's local contribution requirement is increased by MRGF + 1% to bring the town closer to its target local share

FY23 Chapter 70 Determination of City and Town Total Required Contribution

123 Hanson

Effort Goal

1)	2020 equalized valuation	1,526,710,200
2)	Uniform property percentage	0.3624%
3)	Local effort from property wealth	5,532,479
4)	2019 income	422,602,000
5)	Uniform income percentage	1.5242%
6)	Local effort from income	6,441,128
7)	Combined effort yield (3 + 6)	11,973,607
8)	FY23 Foundation budget	18,458,832
9)	Maximum local contribution (82.5% * 8)	15,228,537
10)	Target local contribution (lesser of 7 or 9)	11,973,607
11)	Target **local** share (10 as % of 8)	64.87%
12)	Target **aid** share (100% minus 11)	35.13%

See a listing of all 351 communities

FY23 Increments Toward Goal

13)	FY22 required local contribution	10,616,672
14)	Municipal revenue growth factor (DOR)	3.89%
15)	FY23 preliminary contribution (13 raised by 14)	11,029,661
16)	Preliminary contribution pct of foundation (15 / 8)	59.75%
	If preliminary contribution is above the target share:	
17)	Excess local effort (15 - 10)	
18)	100% reduction toward target (17 x 100%)	
19)	FY23 required local contribution (15 - 18), capped at 90% of foundation	
20)	Contribution as percentage of foundation (19 / 8)	
	If preliminary contribution is below the target share:	
21)	Shortfall from target local share (10 - 15)	943,946
22)	Shortfall percentage (11 - 16)	5.12%
23)	Added increment toward target (13 x 1% or 2%)*	106,167
	**1% if shortfall is between 2.5% and 7.5%; 2% if shortfall > 7.5%*	
24)	Special increment toward 82.5% target**	0
	***if combined effort yield > 175% foundation*	
	Combined effort yield as % of foundation	
25)	Shortfall from target after adding increments (10 - 15 - 23 - 24)	837,779
26)	FY23 required local contribution (15 + 23 + 24)	**11,135,828**
27)	Contribution as percentage of foundation (26 / 8)	60.33%

Whitman's local contribution requirement is increased by MRGF + 1% to bring the town closer to its target local share

FY23 Chapter 70 Determination of City and Town Total Required Contribution

338 Whitman

Effort Goal

1)	2020 equalized valuation	1,882,778,200
2)	Uniform property percentage	0.3624%
3)	Local effort from property wealth	6,822,795
4)	2019 income	526,094,000
5)	Uniform income percentage	1.5242%
6)	Local effort from income	8,018,511
7)	Combined effort yield (3 + 6)	14,841,307
8)	FY23 Foundation budget	28,849,772
9)	Maximum local contribution (82.5% * 8)	23,801,062
10)	Target local contribution (lesser of 7 or 9)	14,841,307
11)	Target **local** share (10 as % of 8)	51.44%
12)	Target **aid** share (100% minus 11)	48.56%

See a listing of all 351 communities

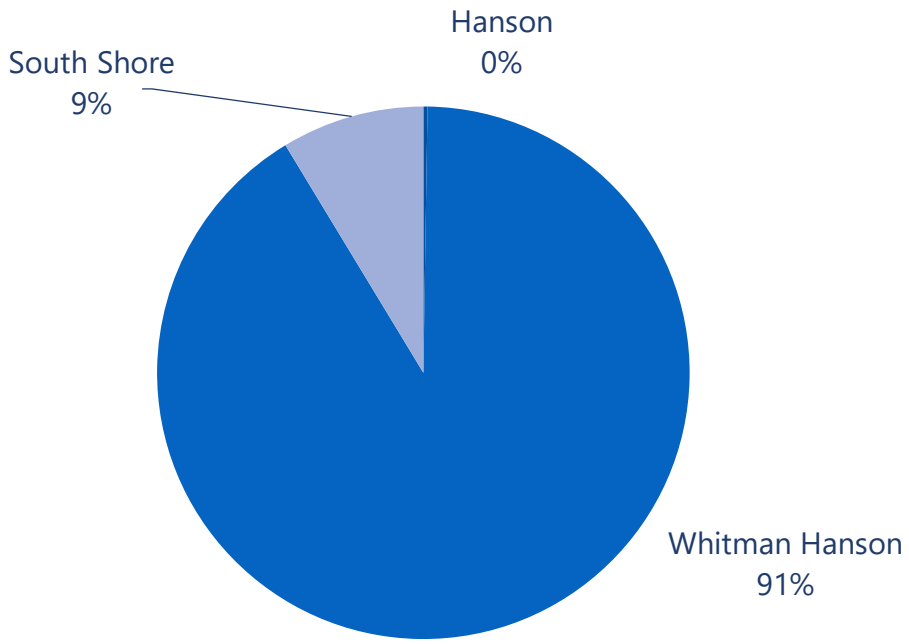
FY23 Increments Toward Goal

13)	FY22 required local contribution	12,736,419
14)	Municipal revenue growth factor (DOR)	3.80%
15)	FY23 preliminary contribution (13 raised by 14)	13,220,403
16)	Preliminary contribution pct of foundation (15 / 8)	45.82%
	If preliminary contribution is above the target share:	
17)	Excess local effort (15 - 10)	
18)	100% reduction toward target (17 x 100%)	
19)	FY23 required local contribution (15 - 18), capped at 90% of foundation	
20)	Contribution as percentage of foundation (19 / 8)	
	If preliminary contribution is below the target share:	
21)	Shortfall from target local share (10 - 15)	1,620,904
22)	Shortfall percentage (11 - 16)	5.62%
23)	Added increment toward target (13 x 1% or 2%)*	127,364
	**1% if shortfall is between 2.5% and 7.5%; 2% if shortfall > 7.5%*	
24)	Special increment toward 82.5% target**	0
	***if combined effort yield > 175% foundation*	
	Combined effort yield as % of foundation	
25)	Shortfall from target after adding increments (10 - 15 - 23 - 24)	1,493,540
26)	FY23 required local contribution (15 + 23 + 24)	**13,347,767**
27)	Contribution as percentage of foundation (26 / 8)	46.27%

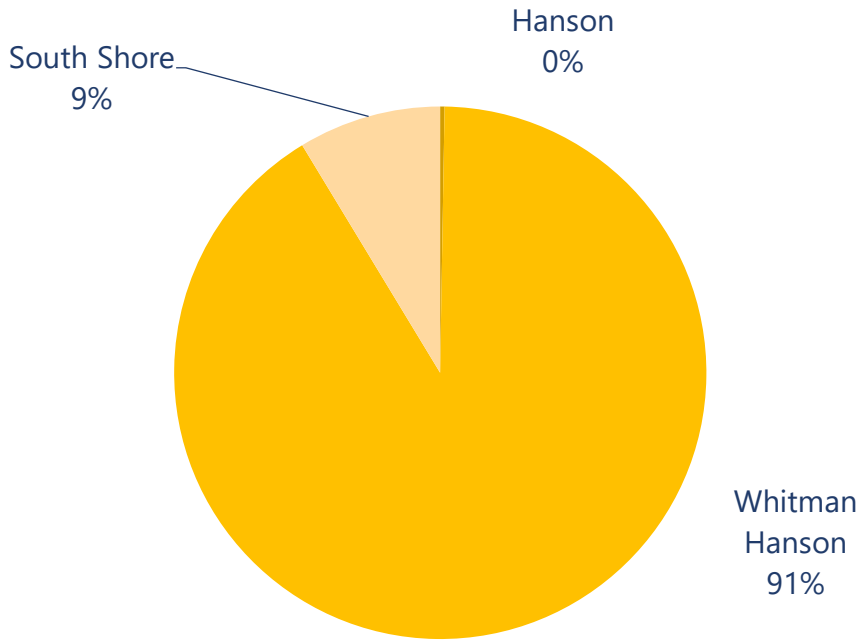
Once a city or town's required local contribution is calculated, it is allocated among the districts to which it belongs

Town of Hanson

Foundation budget = $18.4M



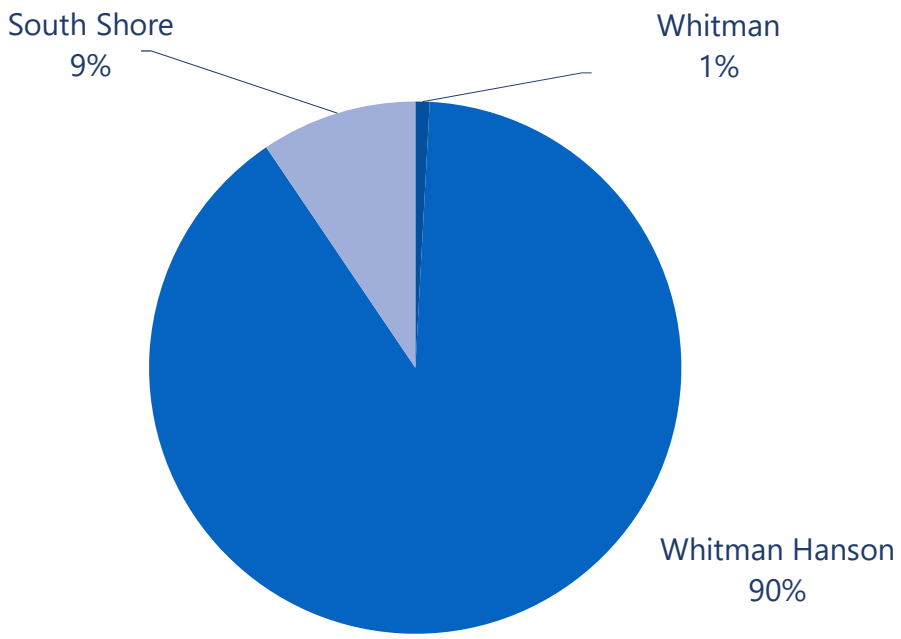
Required local contribution= $11.1M



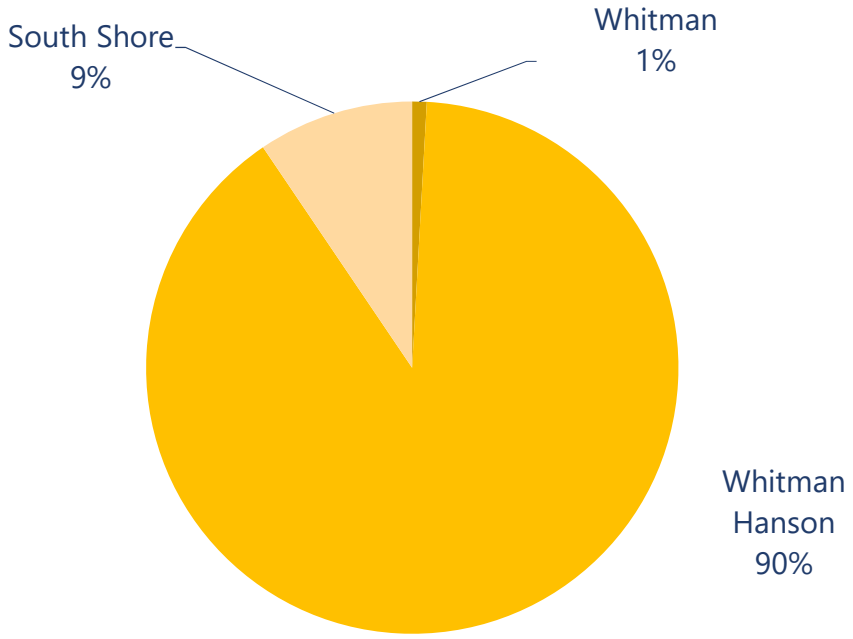
Once a city or town's required local contribution is calculated, it is allocated among the districts to which it belongs

Town of Whitman

Foundation budget = $28.8M



Required local contribution= $13.3M



Foundation aid provides additional funding for districts to spend at their foundation budgets

Foundation budget – Required local contribution = Foundation aid

- Start with prior year's aid
- Add together the prior year's aid and the required local contribution
- If this year's foundation aid exceeds last year's total Chapter 70 aid, the district receives the amount needed to ensure it meets its foundation budget

(1) Foundation budget

- **(3) Foundation aid increase**
- **Prior year's aid**
- **(2) This year's required local contribution**

Calculating Chapter 70 aid: Districts are held harmless to previous aid levels and the Act guarantees at least a $30 per pupil increase

- Districts are held harmless to the previous year's level of aid
- In HWM and SWM budgets, 142 districts receive minimum aid increases of **$60 per pupil** over FY22
- Whitman Hanson receives $4.5 million in above foundation aid (line 12 – line 4)

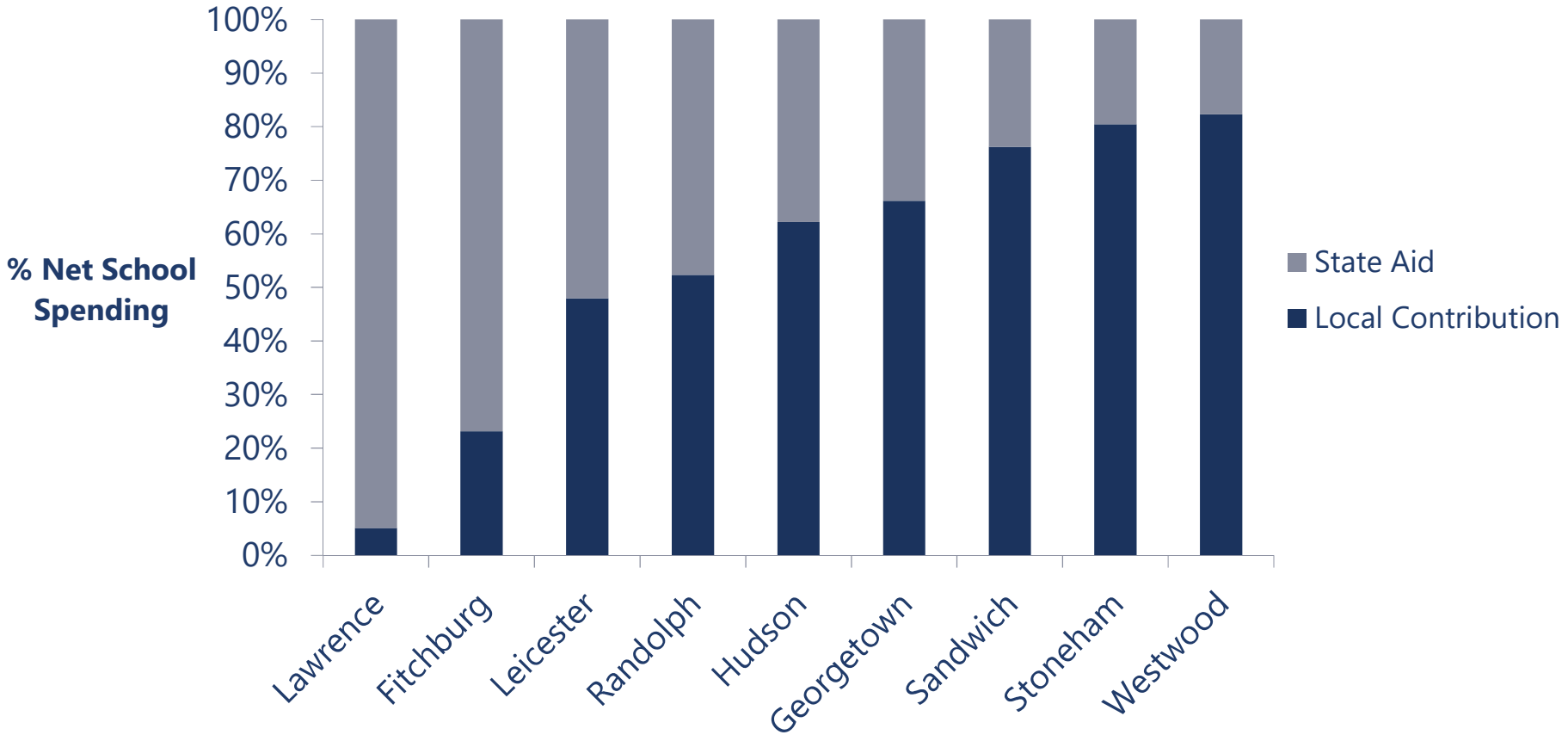
FY23 Chapter 70 Summary

780 Whitman Hanson

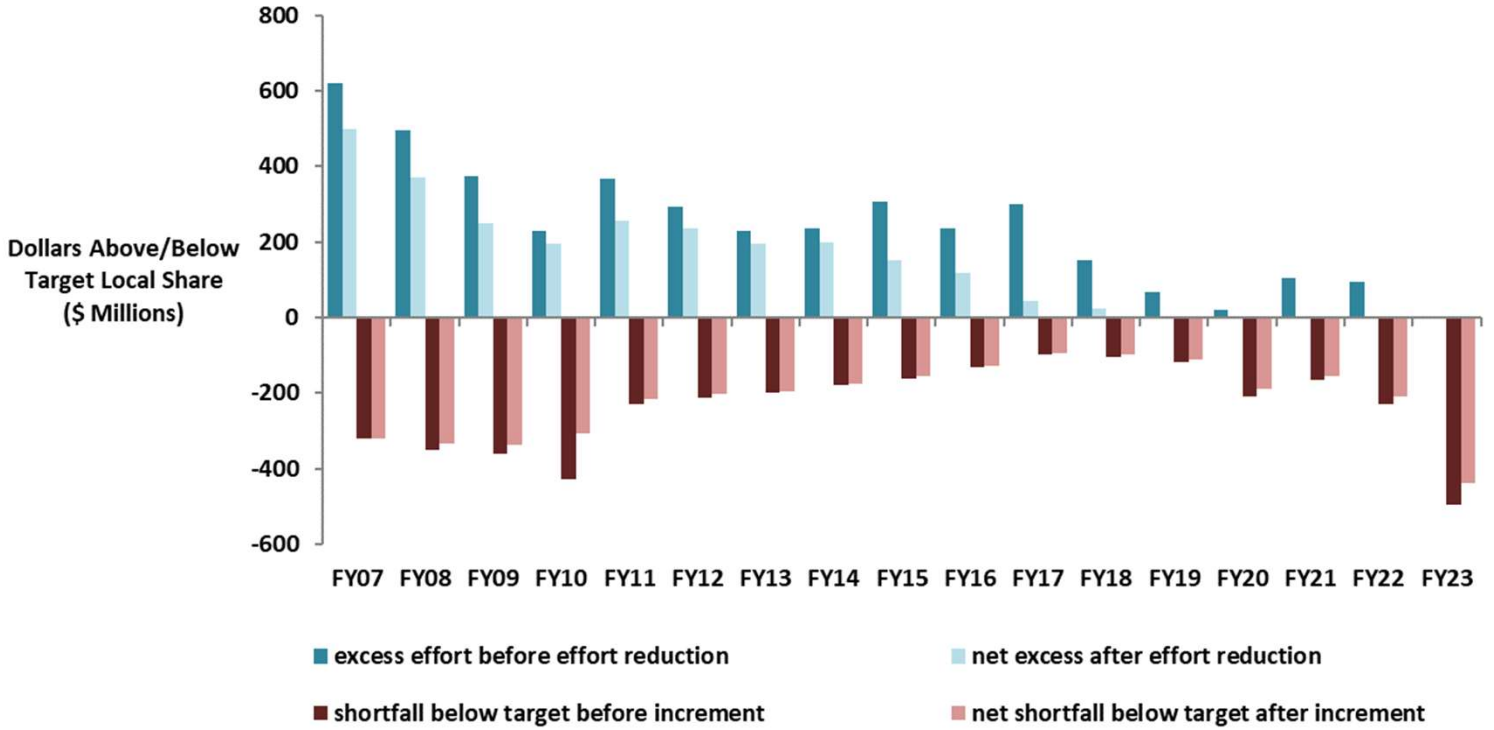
Aid Calculation FY23

Prior Year Aid		
1	Chapter 70 FY22	**24,882,540**
Foundation Aid		
2	Foundation budget FY23	42,679,524
3	Required district contribution FY23	22,110,222
4	Foundation aid (2 -3)	20,569,302
5	Increase over FY22 (4 - 1)	**0**
Minimum Aid		
6	Minimum $60 per pupil increase	206,520
7	Minimum aid amount (if line 6 - line 5 > 0, then line 6 - line 5, otherwise	**206,520**
Subtotal		
8	Sum of 1,5,7	**25,089,060**
Minimum Aid Adjustment		
9	Minimum aid adjustment	24,985,800
10	Aid adjustment increment (if line 9 - line 8 > 0, then line 9 - line 8, otherwise	**0**
Non-Operating District Reduction to Foundation		
11	Reduction to foundation	**0**
FY23 Chapter 70 Aid		
12	Sum of 1,5,7,10 minus 11	**25,089,060**

Districts receive different levels of Chapter 70 aid because their municipality's ability to pay differs

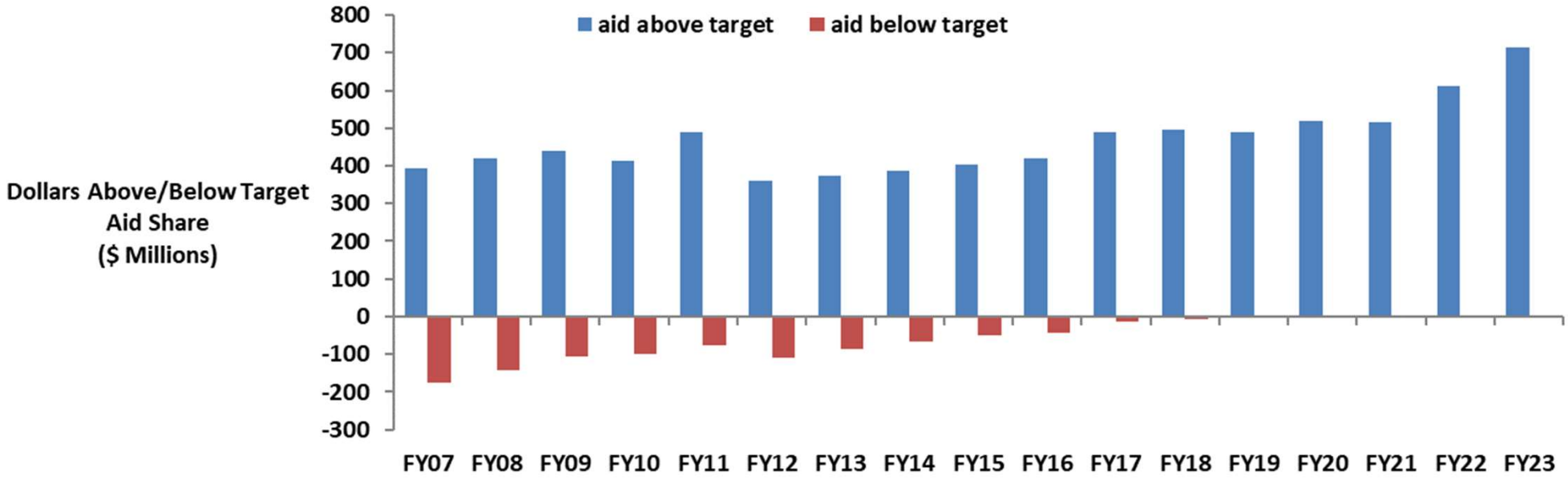


The aggregate wealth model has eliminated required excess effort, but in recent years effort shortfalls have increased



For communities that are below target, recent expansions in foundation budgets have resulted in required contributions not keeping pace with the foundation budget increases

There are no longer any districts funded below target, while above target aid has increased



QUESTIONS?

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