Chapter 70
Guide for School Committee Members

Prepared by
Gateway Regional School Committee
Finance Sub-Committee
2011
What is Chapter 70?

The Chapter 70 program is the major program of state aid to public elementary and secondary schools. In addition to providing state aid to support school operations, it also establishes minimum spending requirements for each school district and minimum requirements for each municipality's share of school costs.

- MA Department of Elementary & Secondary Education
  
  http://finance1.doe.mass.edu/chapter70/
History of Chapter 70

• Chapter 70 education aid formula created by Education Reform Act of 1993
• Prior to FY 1994, the state contributed less money to K-12 education leaving districts heavily dependent on local property tax
• MA legislature’s response to State Supreme Court case McDuffy v. Secretary of the Office of Education: state was not living up to its obligation to provide an adequate public education to all children in the state
History of Chapter 70 (cont.)

- A set of reforms to the Chapter 70 formula passed in the FY 2007 budget and planned for 5 year phase-in through FY 2011
- FY 2007 reforms included a change to the required local contribution calculation, guaranteed aid to all communities, new aid for districts with growing enrollment
- National recession has put FY 2007 reforms on hold because state does not have the funds

- Massachusetts Budget and Policy Center
  http://www.massbudget.org
  “Demystifying the Chapter 70 Formula: How the Massachusetts Education Funding System Works”
Contents of M.G.L. Part 1 Title XII
Chapter 70

- Law includes sections for legislative intent, definitions, authorization for foundation budget regulations, reporting requirements, general requirements for yearly local and state appropriations

- Law does not include specific language on formulas used to calculate minimum spending or state aid

http://www.malegislature.gov/Laws/GeneralLaws/PartI/TitleXII/Chapter70
Concepts – Foundation Enrollment

Foundation Enrollment:
• Count of pupils for whom a district was responsible on October 1 of previous FY
• Includes students that choice out to other public schools and special education placements
• Includes special ed. students in programs beyond Grade 12
• Does not include students that choice in
• Does not include tuitioned pre-K students
• Does not include home or private school students
• Regional vocational students reported separately
• Pre-K and ¼ day K students treated as .5 students

http://finance1.doe.mass.edu/chapter70/enrollment_desc.pdf
In example, total headcount is 1822.
After conversion to full-time equivalents, foundation enrollment is 1792
For this example and further info, see “How Foundation Enrollment is Calculated”,
http://finance1.doe.mass.edu/chapter70

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<th>Pupils/districts</th>
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<th>twice the</th>
<th>headcount</th>
<th>in full-time</th>
<th>equivalents</th>
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<td>1,822</td>
<td>1,792</td>
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* pre-kindergarten and half-day kindergarten count as 0.5 full-time equivalent pupils.
Concepts – Foundation Budget

- A cost is calculated for each FTE pupil, depending on which category the pupil falls in
- Highest-cost category is used for pupils falling in 1 or more categories
- Rates for cost categories set in statute and adjusted annually for inflation

http://finance1.doe.mass.edu/chapter70/chapter_cal_cat.html
Concepts – Foundation Budget

Three Cost Increment Factors used:

• Assumed in-district special education enrollment: set at 3.75% of foundation enrollment (not including pre-K or vocational pupils) and 4.75% of the vocational enrollment

• Assumed out-of-district special education enrollment: set at 1% of total foundation enrollment (not including pre-K or vocational pupils)

• Low income status based on eligibility for free and reduced lunch programs: low-income headcounts are assigned to the district where the pupils are actually enrolled, even if they are tuitioned-in from another district

FY11 Low Income Increment Grades 1-8: $3167
FY11 Low Income Increment Grades 9-12: $2561
Concepts – Net School Spending

- Defined by 603 CMR 10.00, “School Finance and Accountability”
- Includes instructional services, student support services, student activities, administration, employee benefits, facilities operation and maintenance, short-term facilities leases, interest on short-term borrowing, school choice assessments
- SFSF grants not included in NSS spending requirements
Comparisons – Foundation Budget

• FY11 MA state average academic district foundation budget per pupil cost is $9507
• FY11 MA lowest foundation budget per pupil cost is Northborough’s $7922
• FY11 MA highest foundation budget per pupil cost is Boston’s $11,299
• FY11 vocational budget per pupil costs range from $13,657 to $16,664
• FY11 Gateway foundation budget per pupil $9025
When these two factors are applied state-wide, they yield a total local contribution of $6,396,357,604 with exactly half ($3,198,178,802) coming from the property percentage and the other half from the income percentage.

Concepts – Target Local Contribution

- FY11 Target for Statewide Local Contribution: 59% of Foundation Budget or $5,263,418,302
- FY11, the property percentage is set at 0.2956%, applied to each municipality's 2008 aggregate equalized property valuation.
- FY11, the income percentage is set at 1.3682%, applied to each municipality's aggregate total personal income as reported to DOR by local residents for the 2007 calendar year.
Concepts – Target Local Contribution

• Each community’s Combined Effort Yield made up of property percentage and income percentage
• Maximum Local Contribution set to 82.5% of foundation budget
• Target Local Contribution is lesser of Combined Effort Yield or Maximum Local Contribution
The mrgf has been calculated each year since FY94 by the Massachusetts Department of Revenue and quantifies the most recent annual percentage change in each community's local revenues (such as the annual increase in the Proposition 2½ levy limit) that should be available for schools. The average mrgf is 2.85 percent and takes into account a four percent reduction in each community's unrestricted general government assistance.

Concepts – Preliminary and Required Local Contributions

- Preliminary local contribution = last year’s required local contribution x municipal growth factor
- If preliminary local contribution > target local contribution, the difference is “excess local effort”
- If the preliminary local contribution < target local contribution, an additional increment may be required.
- If preliminary is more than 10% below target, the increment is 2% of the last year’s required local contribution. If preliminary is between 5% and 10% below target, the increment is 1%. If it is less than 5%, there is no additional increment.
- Preliminary local contribution + excess local effort (or any required increments) = required local contribution

http://finance1.doe.mass.edu/chapter70/chapter_11_jun_explain.html
Cutting Class: Underfunding the Foundation Budget’s Core Education Program

• The executive summary of this report published by the Massachusetts Budget and Policy Center contains the following key findings:
  – Foundation understates core SPED costs by about $1 billion
  – Foundation understates health insurance by $1.1 billion
  – Districts have not implemented the low-income student program envisioned in the original foundation budget
  – Most districts hire fewer regular education teachers than the foundation budgets sets as an adequate baseline
  – Inflation adjustments have not been fully implemented, causing foundation to lag behind true cost growth

This last slide was added to the presentation after the school committee meeting to reflect the discussion and the report from the Massachusetts Budget and Policy Center. The full report is also available at the district’s website (www.grsd.org) under school committee, budget.