

What does it all
mean?!?

Foundation budget formula

(There are more than ten people in Massachusetts who understand it.)

Constitution of the Commonwealth of Massachusetts

*Wisdom and knowledge, as well as virtue, diffused generally among the body of the people, being necessary for the preservation of their rights and liberties; and as these depend on spreading the opportunities and advantages of education in the various parts of the country, and among the different orders of the people, **it shall be the duty of legislatures and magistrates**, in all future periods of this Commonwealth, **to cherish the interests of literature and the sciences**, and all seminaries of them; especially the university at Cambridge, **public schools and grammar schools in the towns . . .***

Part II, c. 5, Section 2

John Adams, 1780

McDuffy v Secretary of State Executive Office of Education (1993)

“In this light, we have considered the proper meaning of the words "duty" and "cherish" found in c. 5, Section 2. What emerges from this review is that the words are not merely aspirational or hortatory, but obligatory. What emerges also is that the **Commonwealth has a duty to provide an education for all its children**, rich and poor, in every city and town of the Commonwealth at the public school level, and that this duty is designed not only to serve the interests of the children, but, more fundamentally, to prepare them to participate as free citizens of a free State to meet the needs and interests of a republican government, namely the Commonwealth of Massachusetts.”

(emphasis added)

The screenshot shows the DESE School Finance page. The browser address bar displays www.doe.mass.edu/finance/chapter70/. The page header includes the Mass.gov logo and the text "Massachusetts Department of Elementary & Secondary Education". A navigation bar at the top lists various categories: News, School/District Profiles, School/District Administration, Educator Services, Assessment/Accountability, and Family & Community. Below this, a sub-navigation bar lists specific areas: Administration, Finance/Grants, PK-16 Program Support, and Information Services. A dropdown menu labeled "--Select Program Area--" is also present.

The main content area is titled "School Finance" and "Chapter 70 Program". It includes a paragraph describing the Chapter 70 program as the major state aid to public elementary and secondary schools. Below this, the "Chapter 70 Legislation & Regulation" section lists several items with document icons: Legislation, Regulations, Compliance With Net School Spending Requirements, Retiree Health Insurance and Section 260 of the FY15 State Budget, How the foundation budget is calculated, and How foundation enrollment is calculated. The "Chapter 70 State Aid and Spending Requirement" section lists dates and corresponding documents: 01/27/16 for FY17 Preliminary Chapter 70 Aid and Net School Spending Requirements, 07/17/15 for FY16 Chapter 70 Aid and Net School Spending Requirements, 03/04/15 for FY16 Preliminary Chapter 70 Aid and Net School Spending Requirements, and 07/11/14 for FY15 Chapter 70 Aid and Net School Spending Requirements.

A left sidebar contains a list of links under the heading "Finance Home | News", including links to ARRA, Accounting & Auditing, Chapter 70 Program, Charter Schools, Circuit Breaker, Educational Collaboratives, ESE Budget, Grants/Funding Opportunities, Nutrition Programs, Regional Districts, School Building Issues, School Choice, School Finance Regulations, Statistical Comparisons, Transportation, Chapter 74 Nonresident Tuition, School Finance Contacts, and Links.

Get to know DESE's School Finance page.

<http://www.doe.mass.edu/finance/chapter70/>

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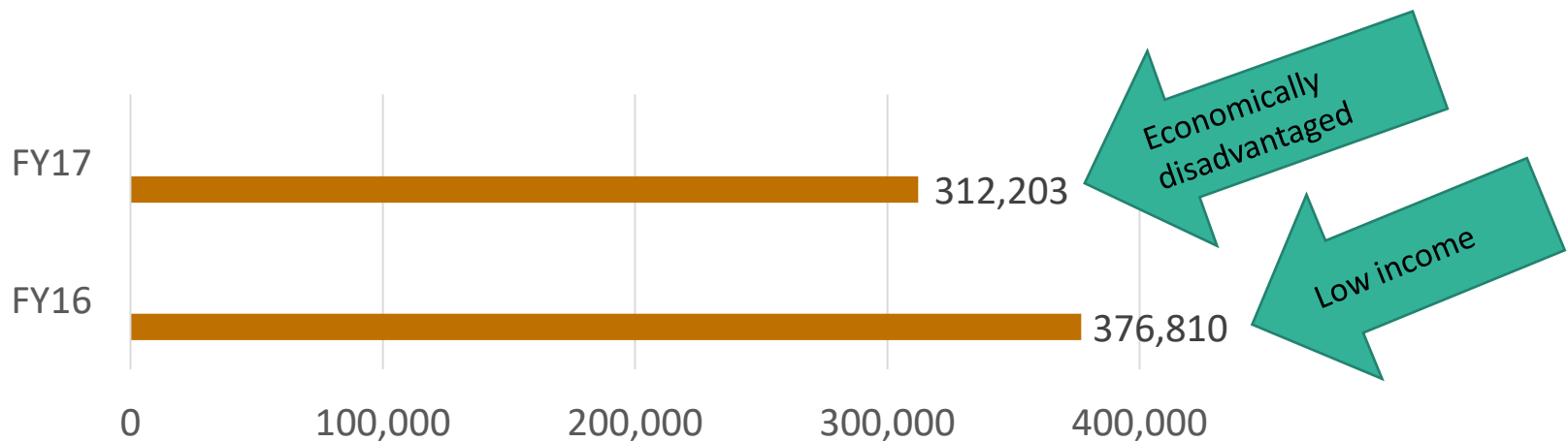
* Total foundation enrollment does not include columns 11 through 13, because those columns represent increments above the base. The pupils are already counted in columns 1 to 10.

Total foundation enrollment assigns pupils in pre-kindergarten and half-time kindergarten an enrollment count of .5.

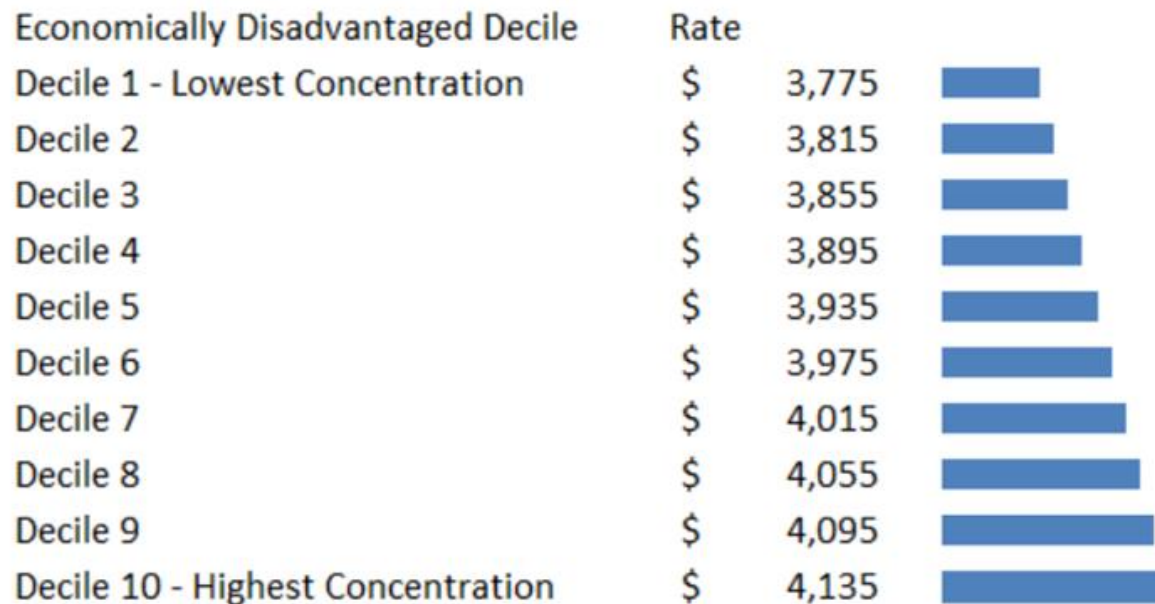
Beginning in FY17, the “low income” designation has been replaced by an “economically disadvantaged” designation.

This is no longer measured by the number of students in the district who are signed up for free and reduced price lunch; instead, the state is counting the number of students in the district who are signed up for:

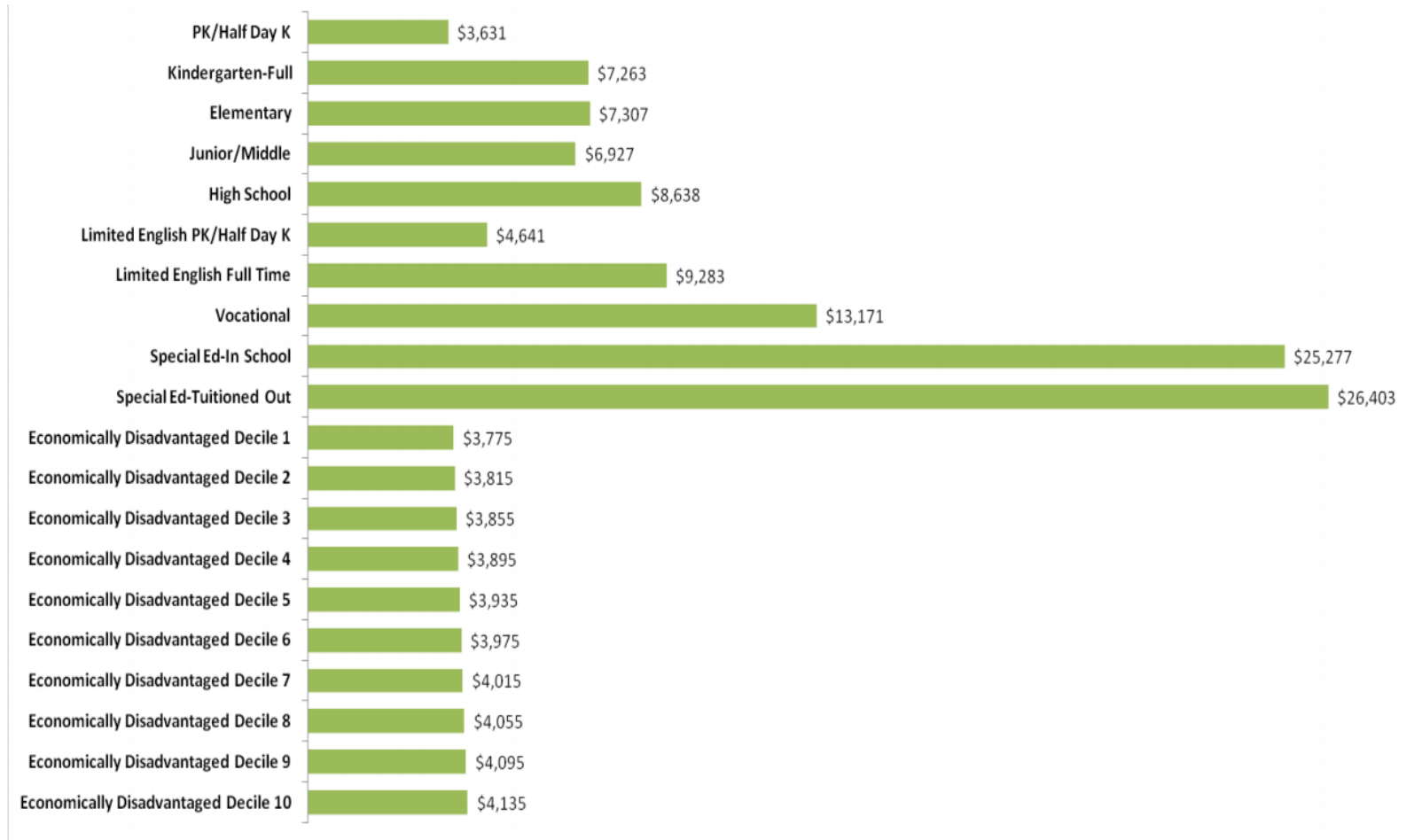
- Supplemental Nutrition Assistance Program (SNAP)
- Transitional Assistance for Families with Dependent Children (TAFDC)
- Department of Children and Families' (DCF) foster care program
- MassHealth (Medicaid).



In an effort to make up for the smaller number in the count, the state increased the amount of funding per ED student and increased funding by decile concentration of poverty.



FY17 Foundation budget rates



Your district foundation budget

Foundation budget amount per pupil (by category)
x enrollment in each category
+ increments above the base

district foundation budget

Now who's going to pay for it?

“legislatures and magistrates”

236 Pittsfield

Effort Goal

1) 2014 equalized valuation	3,452,075,400
2) Property percentage	0.3792%
3) Local effort from property wealth	13,089,393
4) 2013 income	1,035,070,000
5) Income percentage	1.4701%
6) Local effort from income	15,216,298
7) Combined effort yield (row 3+ row 6)	28,305,692
8) Foundation budget FY17	66,494,174
9) Maximum local contribution (82.5% * row 8)	56,507,694
10) Target local contribution (lesser of row 7 or row 9)	28,305,692
11) Target local share (row 10 as % of row 8)	41.33%
12) Target aid share (100% minus row 11)	58.67%

FY17 Increments Toward Goal

13) Required local contribution FY16	29,086,218
14) Municipal revenue growth factor (DOR)	0.45%
15) FY17 preliminary contribution (13 x 14)	29,217,106
16) Preliminary contribution pct of foundation (15/8)	42.66%

If preliminary contribution is above the target share:

17) Excess local effort (15 - 10)	911,414
18) 70% reduction toward target (17 x 70%)	637,990
19) FY17 required local contribution (15 - 18), capped at 90% of foundation	28,579,116
20) Contribution as percentage of foundation (19 / 8)	41.72

If preliminary contribution is below the target share:

21) Shortfall from target local share (11 - 16)	
22) Added increment toward target (13 x 1% or 2%)*	
*1% if shortfall is between 2.5% and 7.5%; 2% if shortfall > 7.5%	
23) Shortfall from target after adding increment (10 - 15 - 22)	
24) FY17 required local contribution (15 + 22)	
25) Contribution as percentage of foundation (24 / 8)	

Similar districts can have very different levels of Chapter 70 aid

One example:

Plymouth

TOTAL*

8,105

Foundation Budget Per Pupil 10,535

\$85,387,259

Haverhill

TOTAL*

8,105

Foundation Budget Per Pupil 10,535

\$85,387,259

Aggregate wealth formula

Plymouth

- 1) 2014 equalized valuation
- 2) Property percentage
- 3) Local effort from property wealth
- 4) 2012 income
- 5) Income percentage
- 6) Local effort from income
- 7) Combined effort yield (row 3+ row 6)

8,960,909,400

0.3808%

34,121,535

1,756,708,000

1.4930%

26,227,716

60,349,251

Haverhill

- 1) 2014 equalized valuation
- 2) Property percentage
- 3) Local effort from property wealth
- 4) 2012 income
- 5) Income percentage
- 6) Local effort from income
- 7) Combined effort yield (row 3+ row 6)

5,239,268,400

0.3808%

19,950,194

1,552,840,000

1.4930%

23,183,960

43,134,153

Chapter 70 aid

Plymouth

239 Plymouth

Aid Calculation FY16

Prior Year Aid

1 Chapter 70 FY15 23,670,917

Foundation Aid

2 Foundation budget FY16 84,831,860
3 Required district contribution FY16 62,123,870
4 Foundation aid (2 -3) 22,707,990
5 Increase over FY15 (4 - 1) 0

Minimum Aid

6 Minimum \$25 per pupil increase 201,600

Non-Operating District Reduction to Foundation

6 Reduction to foundation 0

FY16 Chapter 70 Aid

7 sum of line 1, 5 minus 6 23,872,517

Haverhill

128 Haverhill

Aid Calculation FY16

Prior Year Aid

1 Chapter 70 FY15 45,091,781

Foundation Aid

2 Foundation budget FY16 85,387,259
3 Required district contribution FY16 38,924,761
4 Foundation aid (2 -3) 46,462,498
5 Increase over FY15 (4 - 1) 1,370,717

Minimum Aid

6 Minimum \$25 per pupil increase 0

Non-Operating District Reduction to Foundation

6 Reduction to foundation 0

FY16 Chapter 70 Aid

7 sum of line 1, 5 minus 6 46,462,498

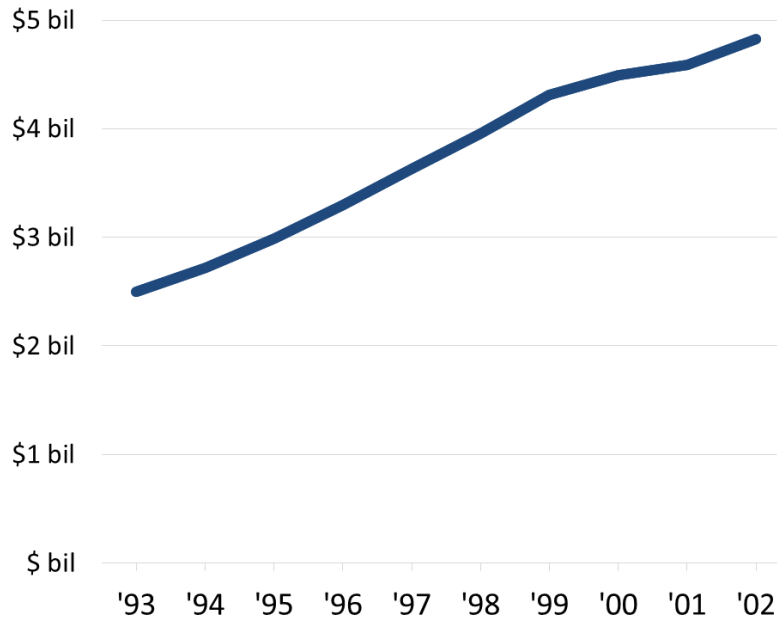
One more thing...

The foundation budget is undercalculated, as it hasn't been substantially updated since it was created in 1993.

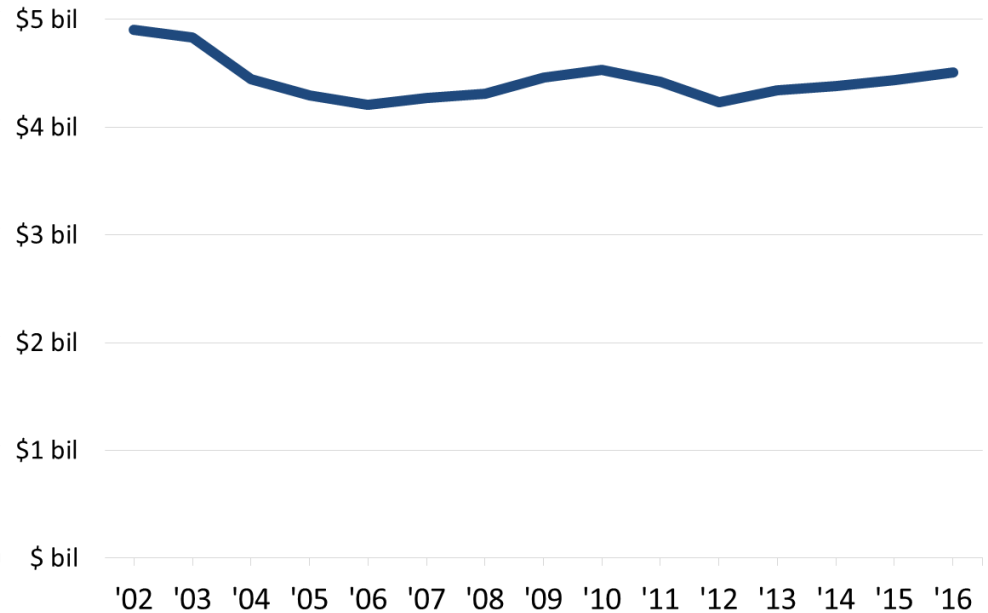
A Foundation Budget Review Commission met last year and published recommendations in November that have yet to be implemented.

Funding Progress Has Eroded

Chapter 70 Aid doubled over first decade

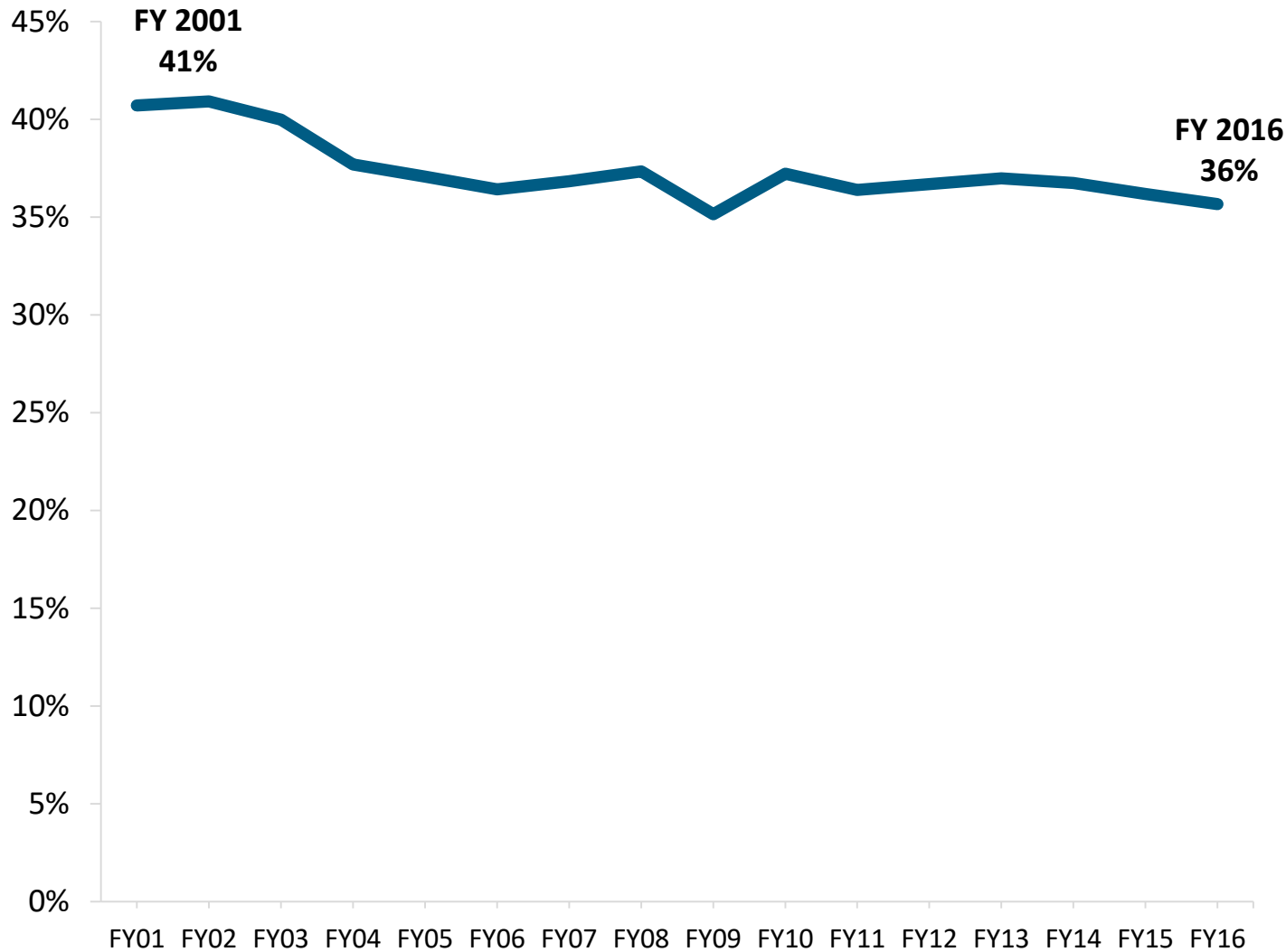


...and has been cut \$400 mil since FY 2002



Inflation adjusted using factor identified in CH70 law (Implicit Price Deflator for State and Local Government), 2016 \$

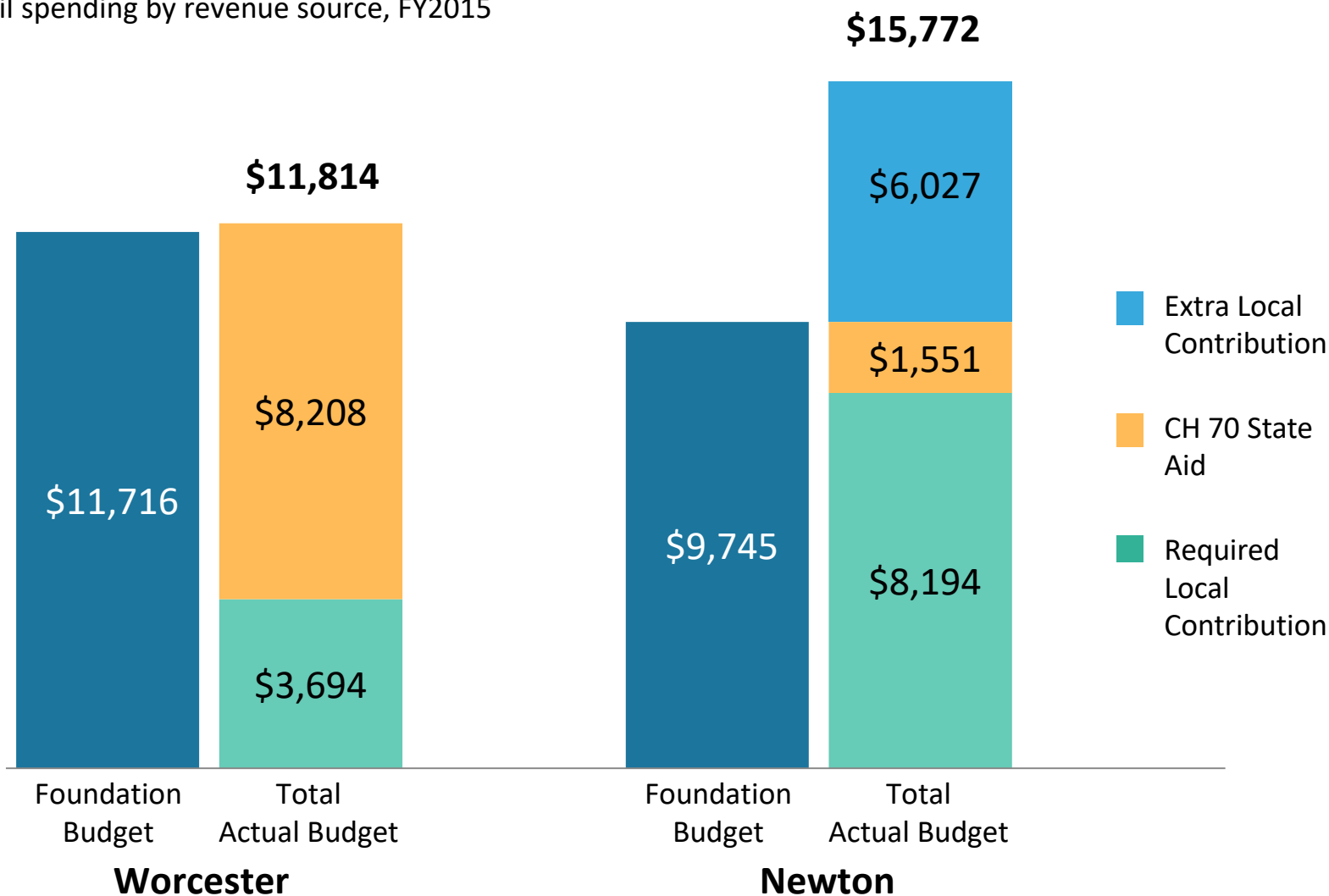
State Aid % of School Budgets Has Declined Since FY 2001



Source: MA DESE

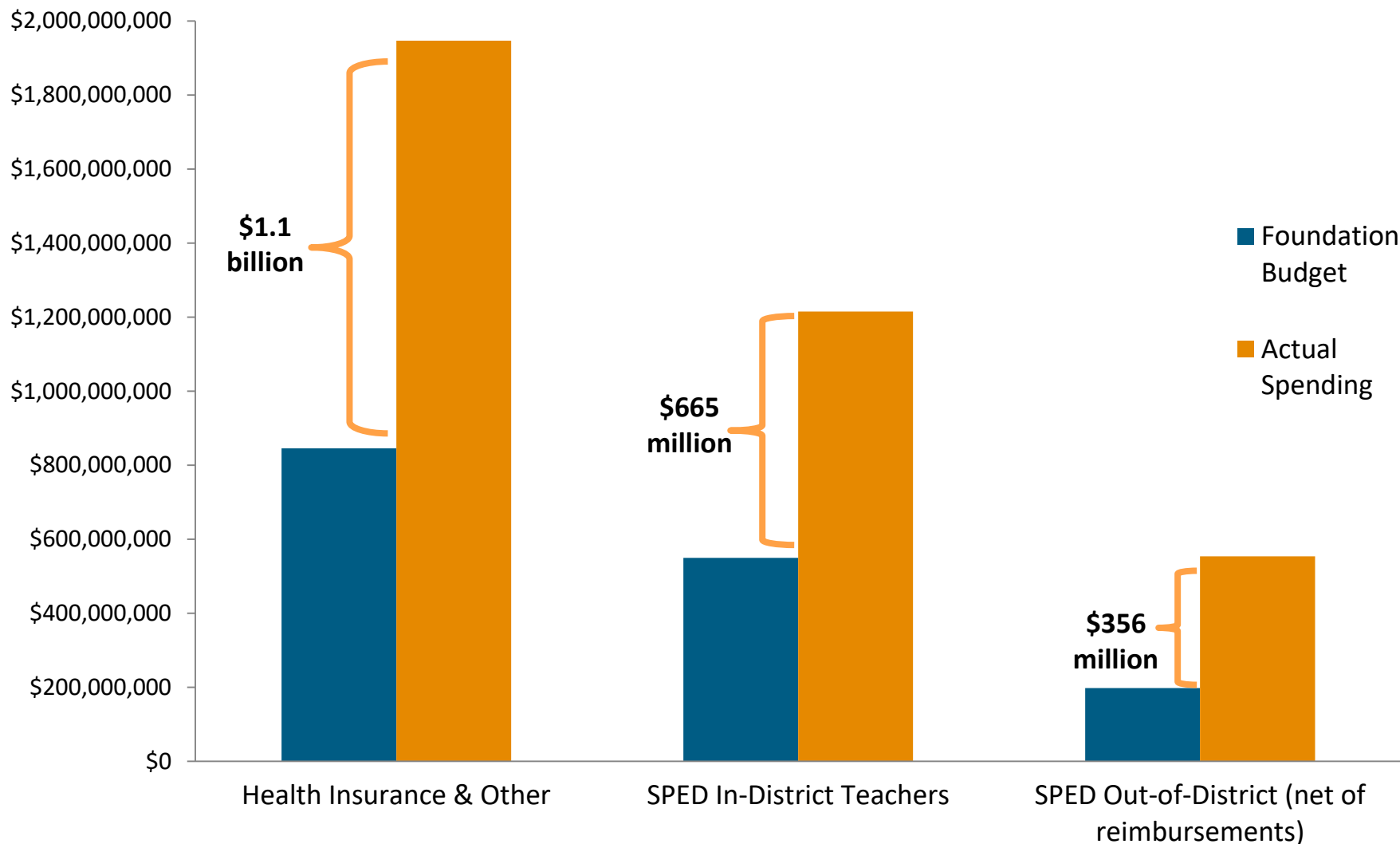
Chapter 70 Funding for Two Sample Districts – 4 Steps

Per pupil spending by revenue source, FY2015



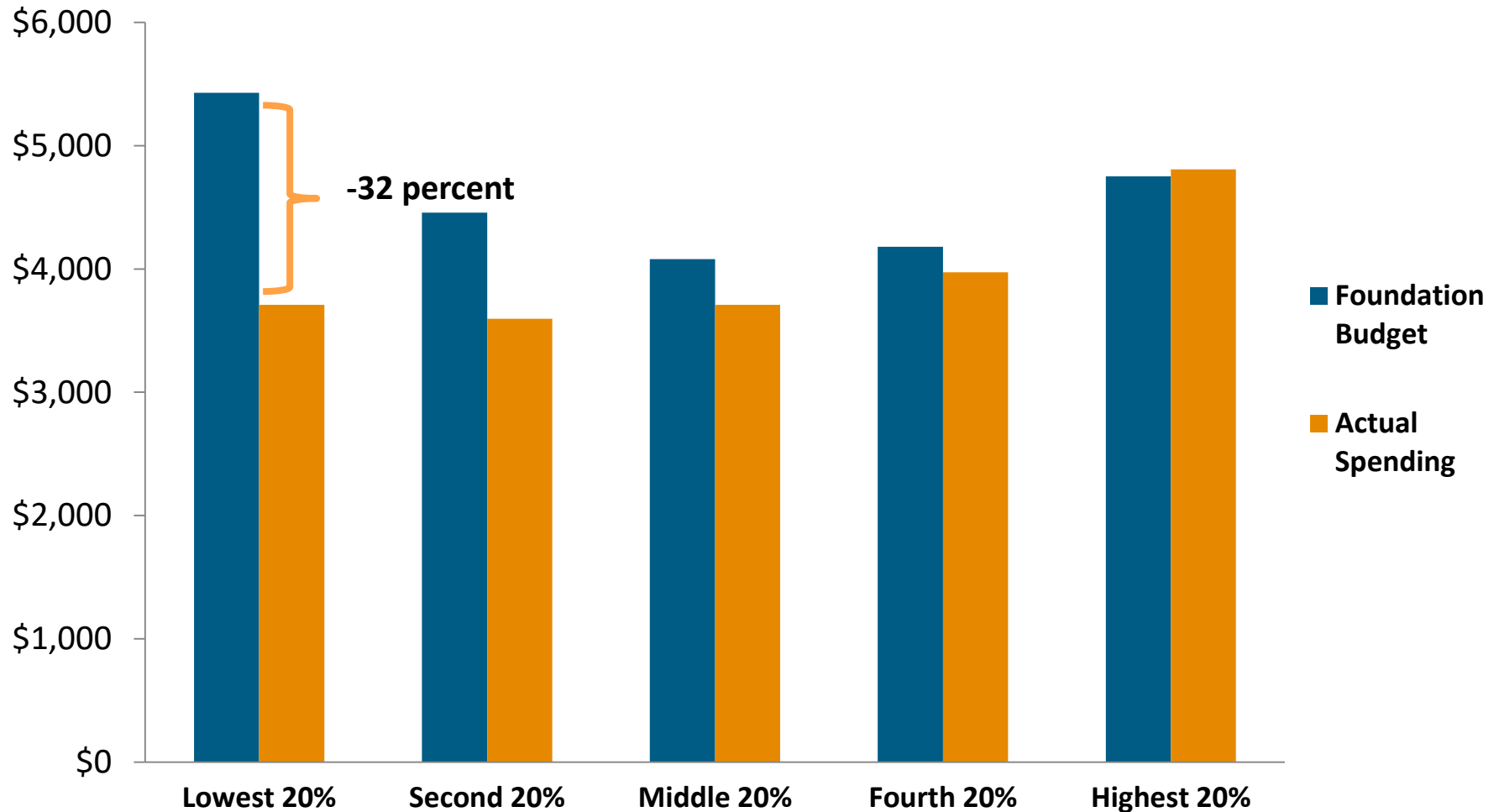
Foundation Budget Does Not Reflect Current Costs

Fiscal Year 2010



Only Highest-Wealth Districts Spend at Foundation on Regular Ed. Teachers

Districts clustered by community property wealth and income
Per pupil spending on Regular Education Teachers, FY 2010



Foundation Budget Review Commission

- In 2014-2015, MA legislature convened a commission to review critical issues in school finance
 - Legislative leaders, teachers unions, school administrative organizations, and educational nonprofits
 - Reviewed Chapter 70 foundation budget and offered suggestions for improvements.
- Key findings (October 2015)
 - Additional funds for low-income and English-learners to support multiple effective interventions (discussed later)
 - Update health care, special education assumptions
 - Cost for solutions potentially \$1B in new school spending

The MA Senate's RISE Act

Most recent proposal for major K-12 finance reform

- Implemented FBRC recommendations to Chapter 70 on SPED, educator health care, ELL
 - Roughly \$200 million annual cost, **\$1.4 billion over 7 year phase-in**
- Much higher funding rate for kids in poverty
 - Up to almost \$8,200 per-student, roughly doubling current top rate
- Charged ANF, Senate/House Ways & Means with developing implementation schedule

“...the good work begun by the education reform act of 1993, and the educational progress made since, will be at risk so long as our school systems are fiscally strained by the ongoing failure to substantively reconsider the adequacy of the foundation budget.”

The Foundation Budget Review Commission, November 2015

We take questions!

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Additional Resources

- Massachusetts Budget and Policy Center:
www.massbudget.org
- MassBudget Online Budget Browser:
<http://browser.massbudget.org>
- Demystifying the Chapter 70 Formula:
[http://massbudget.org/report_window.php?loc=Fact 10 22 10.html](http://massbudget.org/report_window.php?loc=Fact%2022%2010.html)
- Roadmap to Expanding Opportunity
<http://www.expandingopportunity.org/>