

School Finance Topics Update

Acton-Boxborough Regional
School District

C. Jeannotte

August, 2016

TOPICS

- **STATE BUDGET UPDATE & LEGISLATIVE OUTLOOK**
- **CHAPTER 70**
- **CIRCUIT BREAKER**
- **CASE ASSESSMENTS**

RESOURCES

- **CH 70 FOUNDATION REVIEW COMMISSION**
 - **FINAL REPORT:**
<http://www.doe.mass.edu/finance/chapter70/FBRC-Report.pdf>
- **Chapter 70 Website**
<http://www.doe.mass.edu/finance/chapter70/>
- **CIRCUIT BREAKER WEBSITE:**
<http://www.doe.mass.edu/finance/circuitbreaker/>

STATE BUDGET FY17- SCHOOL FINANCE ITEMS

State Budget News For FY' 17

- Chapter 70 up \$116m (2.6%)
 - Effort reduction 85%, compared to 70% in Prelim
 - This will reduce required contributions for 80% of towns: regional districts take note
 - Economically Disadvantaged measure used in FY17 foundation budget (held harmless to old low income method)
 - 25 districts held harmless to the aid they would have received using last year's low income percentages: at cost of \$10m
 - \$55 per pupil minimum aid increase
 - Foundation budgets lowered by an inflation factor of - 0.22%

State Budget News For FY' 17

- **Transportation:**
 - **Regional:** up \$2m (3.3%) from FY16
 - **Homeless:** level-funded
 - **Non-resident Vocational:** down \$1.5m (85%)
 - **Foundation Reserve:** down \$3.1m (100%)
- **Circuit Breaker:** up \$1.9m (1%)
- **Charter Reimbursement:** level-funded
- **Kindergarten Grants:** down \$18.5m (100%)
- **Veto Overrides?**

8/9/2016

ABRSD FY'17 state aid (net)

Acton Boxborough Regional School District Revenues and Funding Sources	FY'15 Actual	FY'16 Actual	August 8, 2016		
			FY'17 Cherry Sheet	Increase (Decrease) \$ FY17	Increase (Decrease) % FY17
CHAPTER 70 AID	14,254,476	14,393,076	14,696,071	302,995	2.1%
REGIONAL TRANSPORTATION	1,353,855	1,430,719	1,390,338	(40,381)	-2.8%
REGIONAL TRANSPORTATION REVOLVING	-	-	-	-	-
REGIONAL BONUS AID	136,900	106,520	74,000	(32,520)	-30.5%
CHARTER SCHOOL REIMBURSEMENT	25,810	42,958	25,004	(17,954)	-41.8%
Total State Aid	15,771,041	15,973,273	16,185,413	212,140	1.3%
SCHOOL CHOICE ASSESSMENT	(118,465)	(99,055)	(99,055)	-	0.0%
CHARTER SCHOOL ASSESSMENT	(373,438)	(392,870)	(382,504)	10,366	-2.6%
SPECIAL EDUCATION ASSESSMENT	(12,398)	(311)	(324)	(13)	4.2%
Total State Aid Offsets	(504,301)	(492,236)	(481,883)	10,353	-2.1%
Net State Aid	15,266,740	15,481,037	15,703,530	222,493	1.4%

LEGISLATIVE News For FY'17

SCHOOL FINANCE

- SPECIAL ED PENDING LEGISLATION -

- CH 70 FOUNDATION REVIEW COMMISSION –
 - FINAL REPORT: <http://www.doe.mass.edu/finance/chapter70/FBRC-Report.pdf>
 - CHANGED TO ECONOMIC DISADVANTAGED IN CH 70 FORMULA
 - RECOMMENDED CHANGE FOR SPECIAL ED-ASSUMED ENROLLMENT PERCENT 3.75% = 15% OF IN DISTRICT STUDENTS RECEIVE SERVICES 25% OF THE TIME. PROPOSED INCREASE TO 16% @ 25% OF TIME = 4% OF ENROLLMENT TO REFLECT STATE AVG.
 - RECOMMENDED CHANGE FOR HEALTH INS (MAJOR) TO USE AVERAGE GIC RATE AND INCLUDE RETIRED TEACHER HEALTH COSTS IN FOUNDATION BUDGET
 - OVERALL COST TO FOUNDATION BUDGET \$800M- WOULD GENERATE SOME AID FOR SOME DISTRICTS

CHAPTER 70

Chapter 70 Website

8/9/2016

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

Mass.gov
Massachusetts Department of
Elementary & Secondary Education

State Offices - State A-Z Topics
--Select Program Area--

News School/District Profiles School/District Administration Educator Services Assessment/Accountability Family & Community

Administration Finance Information Services

PK-12 Program Support

Finance Home | News

- 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
- Spending Comparisons
- Transportation
- Chapter 74 Nonresident Tuition
- School Finance Contacts
- Links

School Finance

Chapter 70 Program

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.

Chapter 70 Legislation & Regulation

- Legislation
- Regulations
- Compliance With Net School Spending Requirements
- Retiree Health Insurance and Section 260 of the FY'15 State Budget
- How the foundation budget is calculated
- How foundation enrollment is calculated
- Chapter 70 district profiles

The on-line Chapter 70 database shows, for each school district, yearly spending and state aid totals in comparison to the foundation budget. Trend data is available for each year going back to FY93.

Chapter 70 State Aid and Spending Requirement

- 01/27/2016 FY17 Preliminary Chapter 70 Aid and Net School Spending Requirements
- 07/17/2015 FY16 Chapter 70 Aid and Net School Spending Requirements
- 03/04/2015 FY16 Preliminary Chapter 70 Aid and Net School Spending Requirements
- 07/11/2014 FY15 Chapter 70 Aid and Net School Spending Requirements
- 03/17/2014 FY15 Legislative Local Aid Resolution

ABRSD FY17 SUMMARY

[Return to Index](#)

7/8/17

Massachusetts Department of Elementary and Secondary Education FY17 Chapter 70 Summary

600 Acton Boxborough

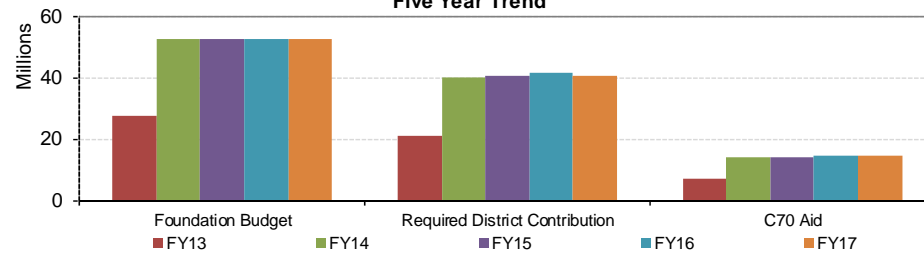
Aid Calculation FY17

Prior Year Aid	
1 Chapter 70 FY16	14,393,076
Foundation Aid	
2 Foundation budget FY17	52,547,574
3 Required district contribution FY17	40,653,492
4 Foundation aid (2 -3)	11,894,082
5 Increase over FY16 (4 - 1)	0
Minimum Aid	
6 Minimum \$55 per pupil increase	302,995
Non-Operating District Reduction to Foundation	
7 Reduction to foundation	0
Aid to Hold District Harmless to Low Income Enrollment Change	
8 Additional amount needed	0
FY17 Chapter 70 Aid	
9 sum of line 1, 5 minus 7	14,696,071

Comparison to FY16

	FY16	FY17	Change	Pct Chg
Enrollment	5,544	5,509	-35	-0.63%
Foundation budget	52,599,957	52,547,574	-52,383	-0.10%
Required district contribution	41,315,952	40,653,492	-662,460	-1.60%
Chapter 70 aid	14,393,076	14,696,071	302,995	2.11%
Required net school spending (NSS)	55,709,028	55,349,563	-359,465	-0.65%
Target aid share	21.89%	23.39%		
C70 % of foundation	27.36%	27.97%		
Required NSS % of foundation	105.91%	105.33%		

Five Year Trend



Goal of the Chapter 70 formula

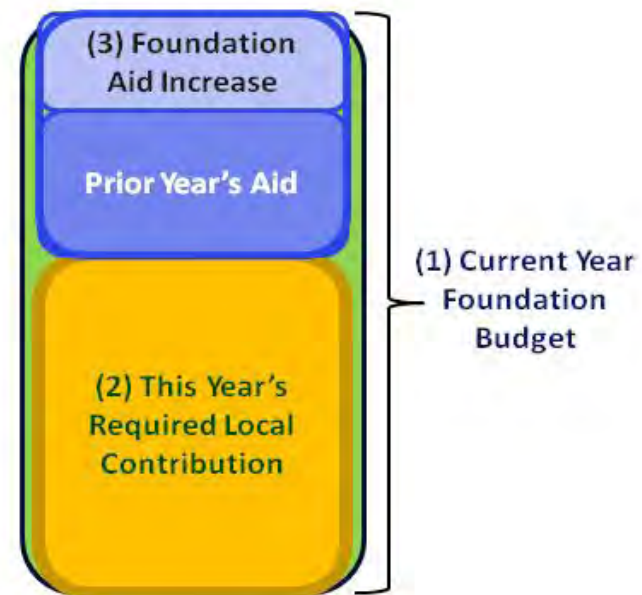
- To ensure that every district has sufficient resources to meet its foundation budget spending level, through an equitable combination of local property taxes and state aid.

Foundation aid is the core of Chapter 70. It provides additional funding for districts to spend at their foundation budgets.

Foundation Budget – Required Local Contribution = Foundation Aid

- Start with prior year's aid
 - FY16 c70 (statewide: \$4.511B)
- 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.
- 101 districts

Chapter 70 in 3 Steps



Chapter 70 aid is determined in three basic steps

A district's Chapter 70 aid is determined in three basic steps:

1. It defines and calculates a **foundation budget**, an adequate funding level for each district, given the specific grades, programs, and demographic characteristics of its students.
2. It then determines an equitable **local contribution**, how much of that "foundation budget" should be paid for by each city and town's property tax, based upon the relative wealth of the community.
3. The remainder is funded by Chapter 70 **state aid**.

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.

Key Factors in School Funding Formula

Foundation Budget

- Enrollment
- Wage Adjustment Factor
- Inflation

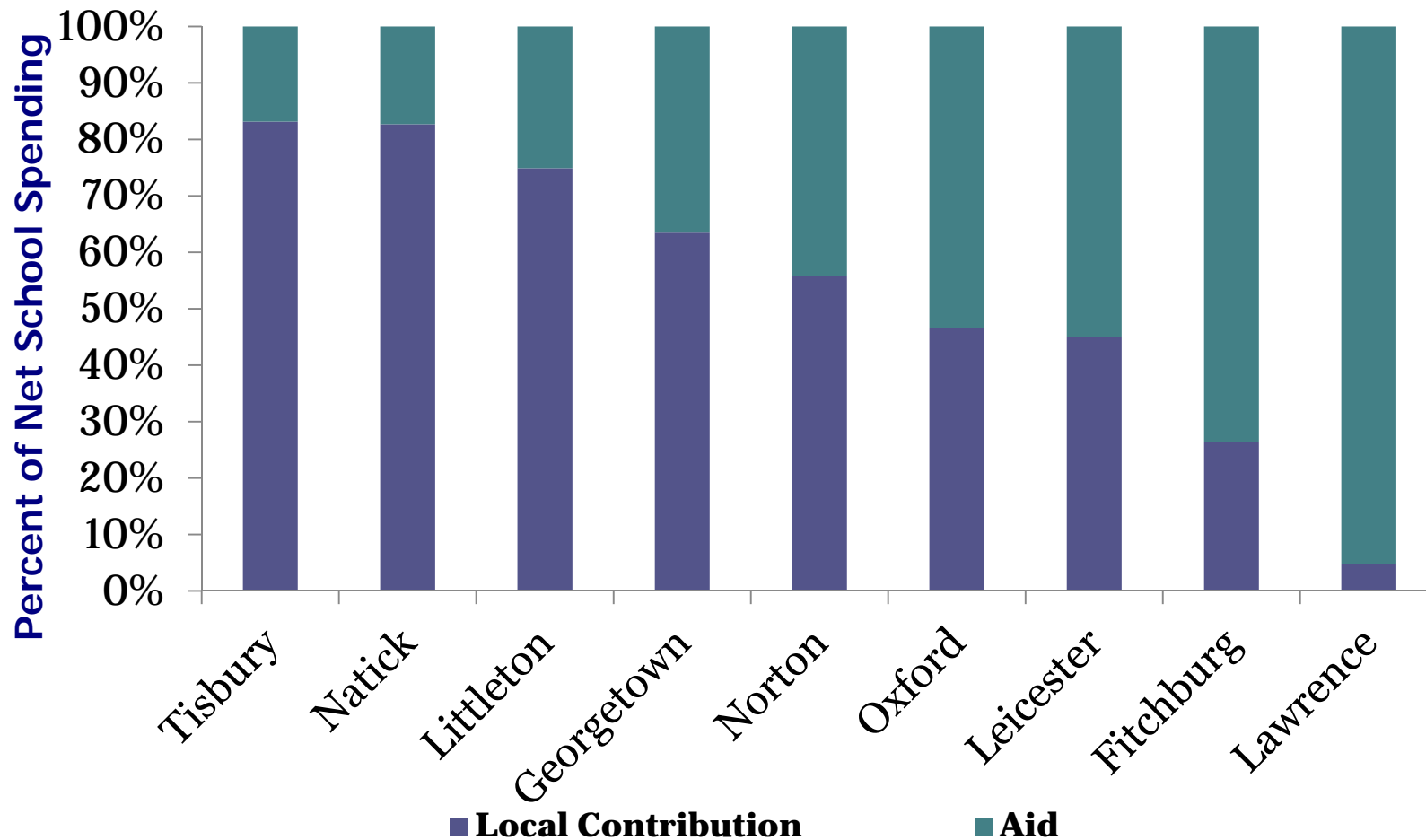
Local Contribution

- Property value
- Income
- Municipal Revenue Growth Factor

These six factors work together to determine a district's c70 aid.

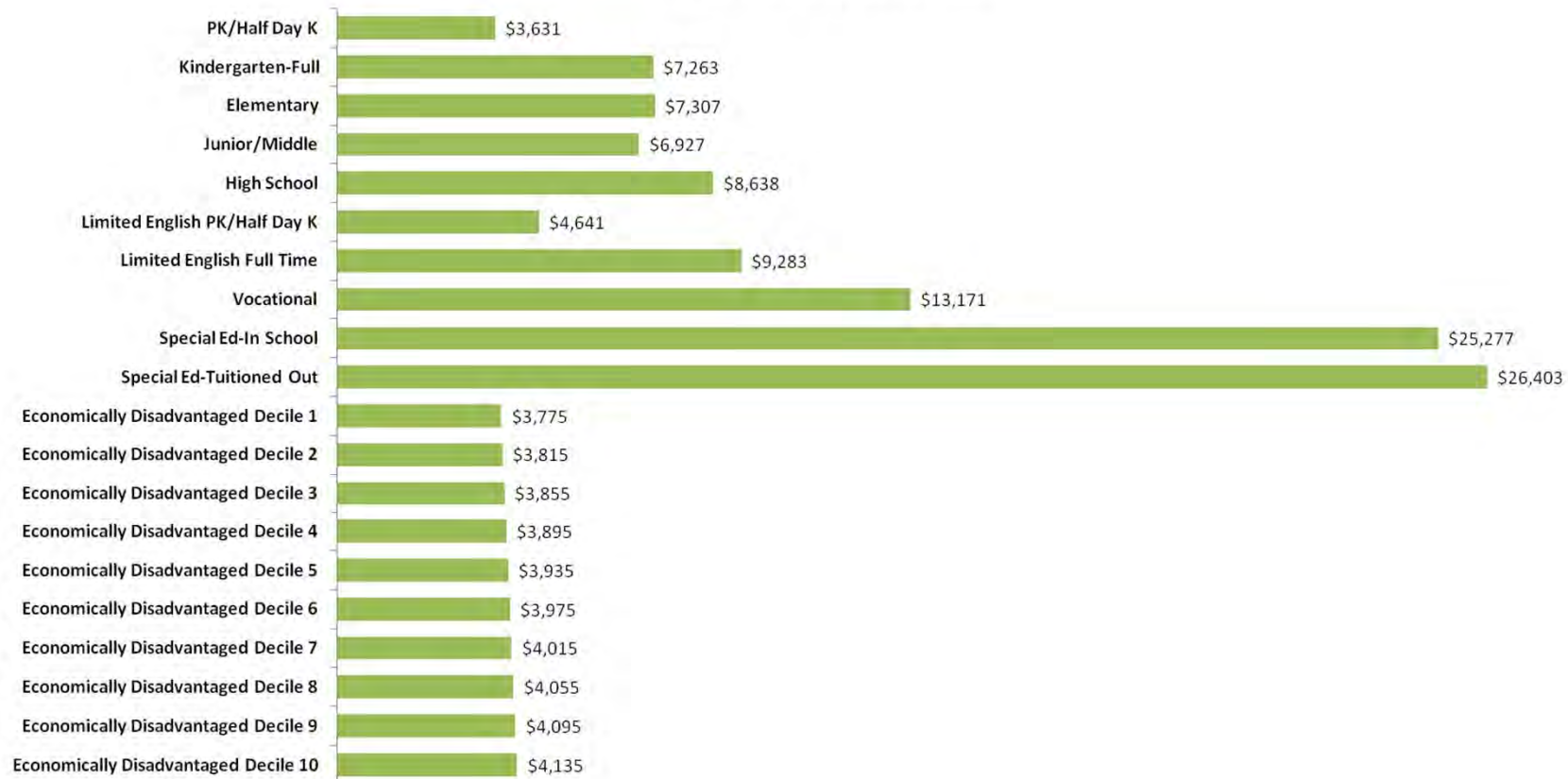
8/9/2016

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



Foundation budget rates reflect differences in the cost of educating different types of students. 8/9/2016

FY17 Foundation Budget Rates



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

Massachusetts Department of Elementary and Secondary Education
Office of School Finance

FY17 Chapter 70 Foundation Budget

600 Acton Boxborough

	----- Base Foundation Components -----										--- Incremental Costs Above The Base ---			TOTAL*
	(1) Pre-School	(2) ----- Kindergarten ----- Half-Day	(3) Full-Day	(4) Elementary	(5) Jr High/ Middle	(6) High School	(7) ELL PK	(8) ELL K Half	(9) ELL KF - 12	(10) Voca- tional	(11) Special Ed In District	(12) Special Ed Out of Dist	(13) Economically Disadvantaged	
Foundation Enrollment	111	250	2	1,837	1,340	1,943	0	46	183	0	204	55	366	5,509
1 Administration	21,092	47,505	760	698,089	509,221	738,371	0	8,741	69,543	0	535,051	144,254	0	2,772,628
2 Instructional Leadership	38,093	85,796	1,373	1,260,818	919,704	1,333,571	0	15,786	125,601	0	0	0	0	3,780,744
3 Classroom and Specialist Teachers	174,667	393,395	6,294	5,781,235	3,711,091	7,913,330	0	109,014	867,365	0	1,765,535	0	1,128,705	21,850,630
4 Other Teaching Services	44,797	100,895	1,614	1,482,788	778,591	939,881	0	14,845	118,112	0	1,648,456	2,204	0	5,132,183
5 Professional Development	6,908	15,558	249	228,797	180,914	254,353	0	3,878	30,849	0	85,169	0	24,841	831,515
6 Instructional Equipment & Tech	24,216	54,540	873	801,501	584,655	1,356,408	0	10,035	79,845	0	71,206	0	0	2,983,280
7 Guidance and Psychological	12,708	28,621	458	420,695	408,482	742,469	0	7,011	55,785	0	0	0	0	1,676,229
8 Pupil Services	5,055	11,385	182	251,044	299,112	1,000,107	0	3,143	25,009	0	0	0	0	1,595,036
9 Operations and Maintenance	48,503	109,242	1,748	1,605,395	1,269,584	1,784,931	0	27,212	216,506	0	597,679	0	174,320	5,835,119
10 Employee Benefits/Fixed Charges	41,878	94,320	1,509	1,386,145	961,370	1,339,252	0	21,832	173,705	0	648,561	0	109,745	4,778,316
11 Special Ed Tuition	0	0	0	0	0	0	0	0	0	0	0	1,311,894	0	1,311,894
12 Total	417,918	941,256	15,060	13,916,507	9,622,725	17,402,673	0	221,496	1,762,320	0	5,351,656	1,458,352	1,437,610	52,547,574
13 Wage Adjustment Factor	104.4%												Foundation Budget per Pupil	9,538

All of your students are counted in categories 1-10. Special education and economically disadvantaged costs are treated as “costs above the base” and are captured in 11-13.

Local Contribution

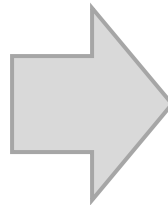
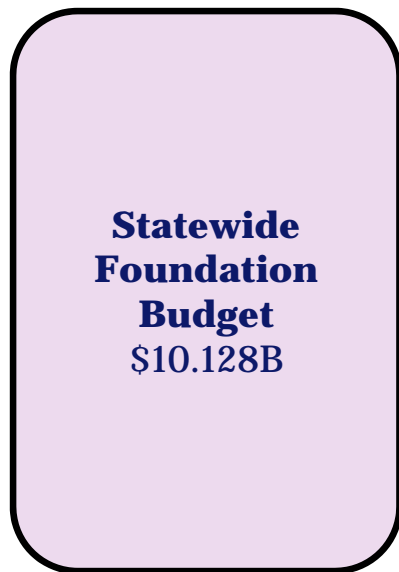
Establishing local ability to pay

- **The foundation budget is a shared municipal-state responsibility.**
- **Each community has a different **target local share**, or ability to pay, based on its property values and residents' incomes.**
- **Prior to this policy, required local contributions had become less linked to ability to pay. A process was established in 2007 to move each community from its 2006 baseline to its new target.**

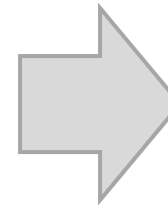
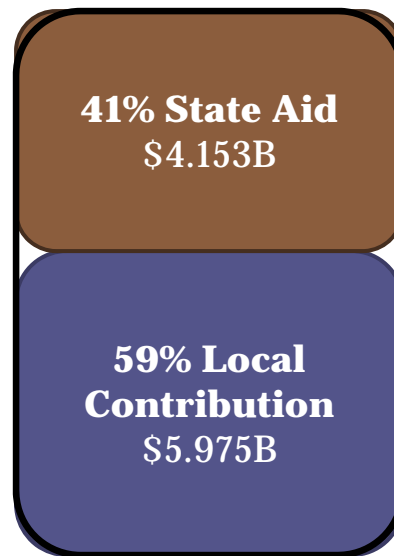
How is the required local contribution calculated?

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

Calculate **statewide** foundation budget.



Determine local share of **statewide** foundation.



Statewide, determine percentages that yield $\frac{1}{2}$ from property and $\frac{1}{2}$ from income.



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

Individual communities' target local shares are based on local property values and income, and foundation budget.

- To determine local effort, first apply this year's property percentage (0.3792%) to the town's 2014 total equalized property valuation
- Then apply this year's income percentage (1.4701%) to the town's 2013 total residential income

$$\begin{aligned} & \text{Local Property Effort} \\ + & \text{Local Income Effort} \\ = & \text{Combined Effort Yield (CEY)} \end{aligned}$$

- Target Local Share = CEY/Foundation budget
 - Capped at 82.5% of foundation
 - In FY17, 147 of 351 communities are capped.

8/9/2016

Dese website new chapter 70 analysis tool

The screenshot shows the 'Elementary & Secondary Education' website with a navigation menu and a sidebar. The main content area is titled 'School Finance' and contains several sections:

- School Finance**
- Chapter 70 Program**

The Chapter 70 program is the major program of state aid to public elementary and secondary schools. In addition to providing state aid to meet requirements for each school district and minimum requirements for each municipality's share of school costs.
- Chapter 70 Legislation & Regulation**
 - Legislation
 - Regulations
 - Compliance With Net School Spending Requirements
 - Retiree Health Insurance and Section 500 of the FY'15 State Budget
 - How the foundation budget is calculated
 - Chapter 70 district profiles

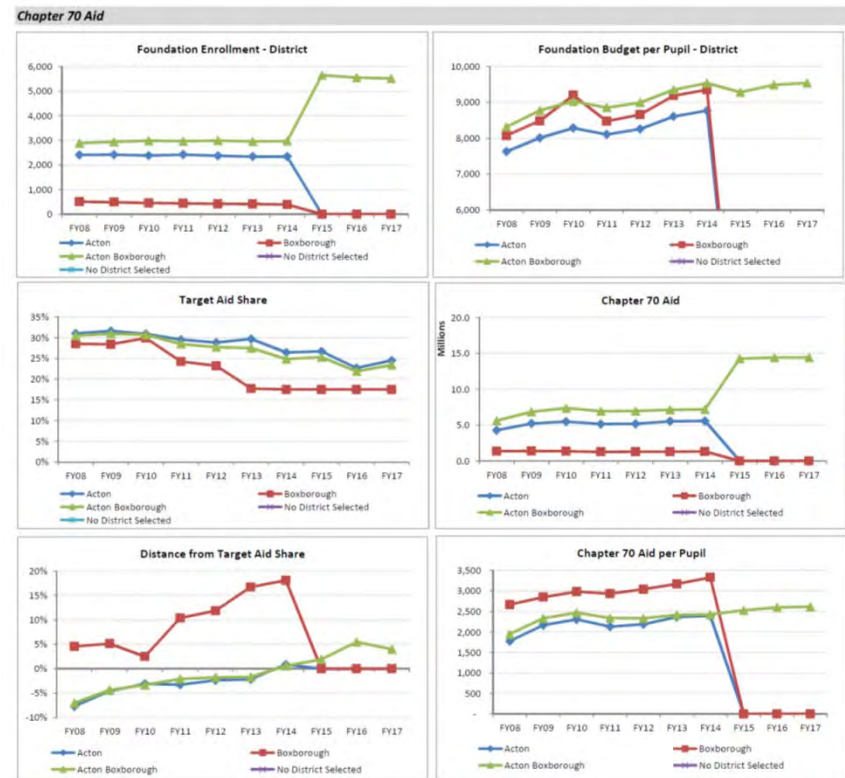
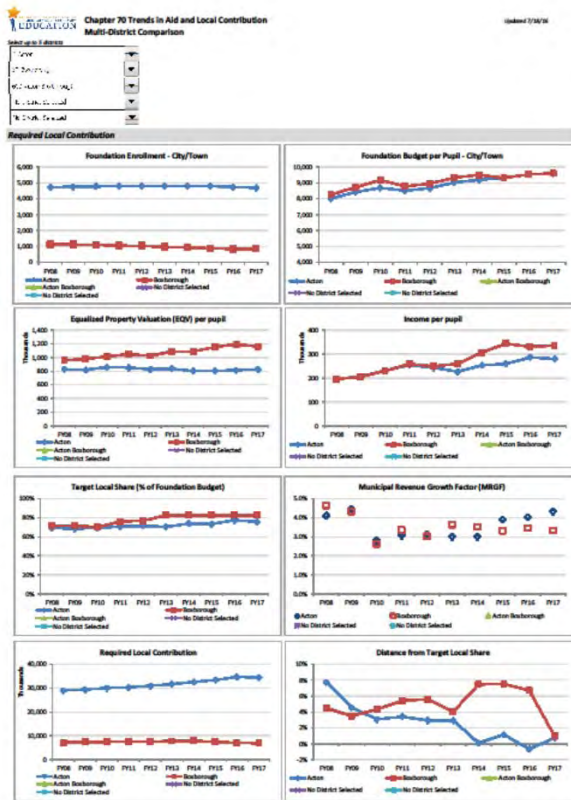
The on-line Chapter 70 database shows, for each school district, yearly spending and state aid totals in comparison to the foundation budget. Trend
 - Chapter 70 Trends in Aid and Local Contribution**

This tool shows trend data for the key factors influencing Chapter 70 required local contributions and state aid calculations going back to FY2007.
- Chapter 70 State Aid and Spending Requirement**
 - 07/11/2016 FY 17 Chapter 70 Aid and Net School Spending Requirements
 - 01/27/2016 FY 17 Preliminary Chapter 70 Aid and Net School Spending Requirements
 - 07/17/2015 FY 16 Chapter 70 Aid and Net School Spending Requirements
 - 03/04/2015 FY 16 Preliminary Chapter 70 Aid and Net School Spending Requirements
 - 07/11/2014 FY 15 Chapter 70 Aid and Net School Spending Requirements
 - 03/17/2014 FY 15 Legislative Local Aid Resolution

A red arrow points from the 'Chapter 70 Trends in Aid and Local Contribution' link to the 'Chapter 70 Program' section.

Acton & Boxborough demographic factors to ch. 70

Updated 7/19/16



8/9/2016

ABRSD CHAPTER 70: 2007-2017



Massachusetts Department of Elementary and Secondary Education
Trends in Chapter 70 Aid Components

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Enrollment	2,838	2,886	2,940	2,983	2,969	2,988	2,955	2,972	5,649	5,544	5,509
Foundation Budget	22,506,705	23,994,743	25,793,437	26,931,635	26,278,547	26,873,147	27,636,880	28,337,812	52,422,543	52,599,957	52,547,574
% Change		6.61%	7.50%	4.41%	-2.42%	2.50%	2.88%	2.54%	84.99%	0.34%	-0.10%
District Contribution	17,791,669	18,369,316	18,940,607	19,569,628	19,800,807	20,359,612	20,909,979	21,701,014	40,290,368	41,315,952	40,653,492
Pct of Foundation	79.05%	76.56%	73.43%	72.66%	75.35%	75.76%	75.66%	76.58%	76.86%	78.55%	77.37%
Target Aid Share	28.78%	30.47%	30.91%	30.66%	28.46%	27.69%	27.46%	24.81%	25.27%	21.89%	23.39%
Foundation Aid Increase	1,576,524	910,391	1,227,403								
Down Payment Aid											
Growth Aid											
Target Aid Phase-In							154,989				
Minimum Aid								74,300	141,225	138,600	302,995
Non-Op Reduction In Aid											
Chapter 70 Aid Reduction			-720,673	-137,057	-430,088						
Low Income Hold Harmless (2017)											
Chapter 70 Aid	4,715,036	5,625,427	6,132,157	6,715,773	6,931,919	6,969,133	7,124,122	7,198,422	14,254,476	14,393,076	14,696,071
SFSF Grant			720,673	646,234	37,214						
Education Jobs Grant			0	0	467,099						
Total Aid and SFSF & Edujob	4,715,036	5,625,427	6,852,830	7,362,007	7,436,232	6,969,133	7,124,122	7,198,422	14,254,476	14,393,076	14,696,071
Aid+SFSF+Edujobs, Pct of Foundation	20.95%	23.44%	26.57%	27.34%	28.30%	25.93%	25.78%	25.40%	27.19%	27.36%	27.97%
C70 Required Net School Spending	22,506,705	23,994,743	25,793,437	26,285,401	26,732,726	27,328,745	28,034,101	28,899,436	54,544,844	55,709,028	55,349,563
Pct of Foundation	100.00%	100.00%	100.00%	97.60%	101.73%	101.70%	101.44%	101.98%	104.05%	105.91%	105.33%
Actual/Budgeted Net Sch Spending	28,334,662	30,651,126	31,356,510	32,445,030	32,944,323	34,098,962	34,477,445	36,055,926	69,007,304	73,496,295	

CIRCUIT BREAKER

Mechanics: Circuit Breaker (Began 2004)

- To provide additional state funding to districts for high-cost special education students
- Threshold tied to 4x the state average foundation budget per pupil under the Ch. 70 program, with the state paying 75 percent of the costs above that threshold (DTA or DCF Children & homeless at 100% above threshold)
- Reimbursements are for the district's prior year's expenses based on claims filed each summer
- Standard rates for each type of service are established annually by ESE, or OSD approved rates at private 766 schools.
- Quarterly payments to the District, subject to appropriation
- The "extraordinary relief" program provides added relief if cost growth over prior year of 25% or more (\$5M statewide)

Accountability: Circuit Breaker

- **Circuit breaker claims are audited by ESE**
- **Disallows services have not been clearly documented on the student's IEP. Only services that are required by the IEP are eligible for reimbursement.**

Accounting: Circuit Breaker (Special Revenue Fund)

- Circuit breaker reimbursements should be deposited into a special education reimbursement account
- These funds may be expended by the school committee in the year received or in the following fiscal year for any special education- related purposes, without further appropriation
- As with all special revenues, the appropriating authority can and should consider the projected reimbursements for the following fiscal year when deliberating on the school district's general fund budget.

SPECIAL ED TRANSPORTATION

Special ed transportation

- The district must provide if it is included in the student's IEP
- CASE Collaborative Provider - Annual assessment FY'16 based on our ridership in FY'14 applied to the transportation budget of CASE FY'16
 - FY17 assessment: \$1,536,934
 - Weighted share based on 3 tiers of distance
- Private providers where unable to use CASE (distance)

DATA

ABRSD Special ed trends

8/8/16

Select an lea code from the dropdown list

600 - ACTON BOXBOROUGH

600 ACTON BOXBOROUGH

Massachusetts Department of Elementary and Secondary Education Direct Special Education Expenditures as a Percentage of School Budget, FY06 to FY15

	A	B	C	D	E	F	G	H
	-- In-District Instruction--		- Out-of-District Tuition -		Combined	Total	Special	
Fiscal	Teaching	Other	Mass. Public	Mass Private	Special Ed	School	Education	state
Year		Instructional	Schools and	and Out-of-	Expenditures	Operating	Percentage	average
			Collaboratives	State Schools	(A+B+C+D)	Budget	of Budget	percentage
							(E as % of F)	
2006	1,533,327	545,486	1,239,903	2,472,108	5,790,824	27,928,220	20.7	19.1
2007	1,507,487	636,278	709,983	2,680,138	5,533,886	29,439,625	18.8	19.4
2008	1,766,668	694,684	769,081	3,034,558	6,264,991	31,665,397	19.8	19.8
2009	1,903,769	705,910	1,191,032	2,579,155	6,379,866	32,418,472	19.7	20.1
2010	1,658,820	677,143	1,239,139	2,278,210	5,853,312	33,126,293	17.7	19.8
2011	1,837,650	745,910	1,430,245	2,006,946	6,020,751	33,721,296	17.9	19.9
2012	2,185,711	863,048	1,749,263	2,217,210	7,015,232	35,247,021	19.9	20.5
2013	2,201,362	839,000	1,351,658	2,840,308	7,232,328	35,789,061	20.2	20.9
2014	2,302,814	767,027	1,652,534	2,631,346	7,353,721	37,460,746	19.6	20.9
2015	8,044,054	1,834,402	2,711,109	4,424,101	17,013,666	70,852,654	24.0	21.0

Boxborough special ed trends

8/8/16

**Massachusetts Department of Elementary and Secondary Education
Direct Special Education Expenditures as a Percentage of School Budget, FY06 to FY15**

Select an lea code from the dropdown list

37 - BOXBOROUGH

37 BOXBOROUGH

	A	B	C	D	E	F	G	H
	-- In-District Instruction--		- Out-of-District Tuition -		Combined	Total	Special	
	Teaching	Other	Mass. Public	Mass Private	Special Ed	School	Education	state
Fiscal		Instructional	Schools and	and Out-of-	Expenditures	Operating	Percentage	average
Year			Collaboratives	State Schools	(A+B+C+D)	Budget	of Budget	percentage
							(E as % of F)	
2006	665,620	191,530	288,786	438,990	1,584,926	5,578,221	28.4	19.1
2007	684,800	208,909	244,755	254,578	1,393,042	5,815,690	24.0	19.4
2008	723,594	222,483	361,484	0	1,307,561	5,811,047	22.5	19.8
2009	768,697	221,095	466,078	0	1,455,870	5,690,555	25.6	20.1
2010	790,694	239,273	564,873	0	1,594,840	5,967,752	26.7	19.8
2011	812,933	166,904	328,748	158,700	1,467,285	5,815,489	25.2	19.9
2012	808,153	139,316	348,230	201,645	1,497,344	6,324,226	23.7	20.5
2013	1,051,109	167,988	382,631	84,970	1,686,698	6,245,667	27.0	20.9
2014	1,168,762	173,664	222,359	118,713	1,683,498	6,181,281	27.2	20.9
2015	1,168,762	173,664	222,359	118,713	1,683,498	6,181,281	27.2	21.0

8/9/2016

ABRSD Circuit breaker budgeting

<u>Fiscal Year</u>	<u>Eligible Costs</u>	<u># Students</u>	<u>Net Claim</u>	<u>Spec Indicator</u>	<u>Reimb %</u>	<u>Reimb</u>	<u>Net Reimbursement</u>	<u>Favorable (Unfavorable)</u>
FY15 Budget	\$4,831,288	71	\$2,390,686		73.5%		1,757,154	
FY15 Actual	\$5,737,837	71	\$2,839,277		73.6%		2,088,607	331,453
FY16 Budget			\$3,461,171		68.0%		2,353,596	
FY16 Projectio	\$6,711,960	84	\$3,230,608		73.0%		2,368,729	15,133
FY16 Projectio	\$6,711,960	84	\$3,230,608		75.0%		2,433,626	80,029
FY16 Final Acti	\$6,711,960	84	\$3,230,608	(\$38,454)	75.0%	2,394,116	2,355,662	2,066
FY17 Budget	\$7,666,263	94	\$3,660,294		68.0%		2,489,000	Current Budget level
FY17 Projectio	\$7,666,263	94	\$3,660,294		65.0%		2,379,191	(109,809)
FY17 Projectio	\$7,666,263	94	\$3,660,294		70.0%		2,562,206	183,015
FY17 Projectio	\$7,666,263	94	\$3,660,294		73.0%		2,672,015	109,809