



# Somerset-Berkley School Committee

February 13, 2018

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Commission (FBRC)**

**01**

# Chapter 70 overview

# 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.

# Chapter 70 highlights from House 2

- FY19 Chapter 70 (prelim) is \$4.851B
  - \$103.6M (2.2%) increase from FY18
- Foundation budgets are increased by an inflation factor of 2.64%.
- House 2 includes an increase to the “Benefits and Fixed Charges” foundation budget rate, based on the recommendations of the 2015 FBRC, phasing in another 11% of the total recommendation, such that an additional \$73 million is invested in district foundation budgets.
- Economically disadvantaged enrollment continues to replace free and reduced price lunch data. The decile assignment is the same as the prior year. The lowest decile rate is set at \$3,619.57 and each subsequent decile increases by \$40 up to the highest decile rate of \$3,979.57.
- The equity component of the formula continues to be phased in. Those communities required to contribute more than their targets will have the gap between their required and target local contributions reduced by 85%.
- All districts receive at least \$20 per pupil in additional aid over the prior year.



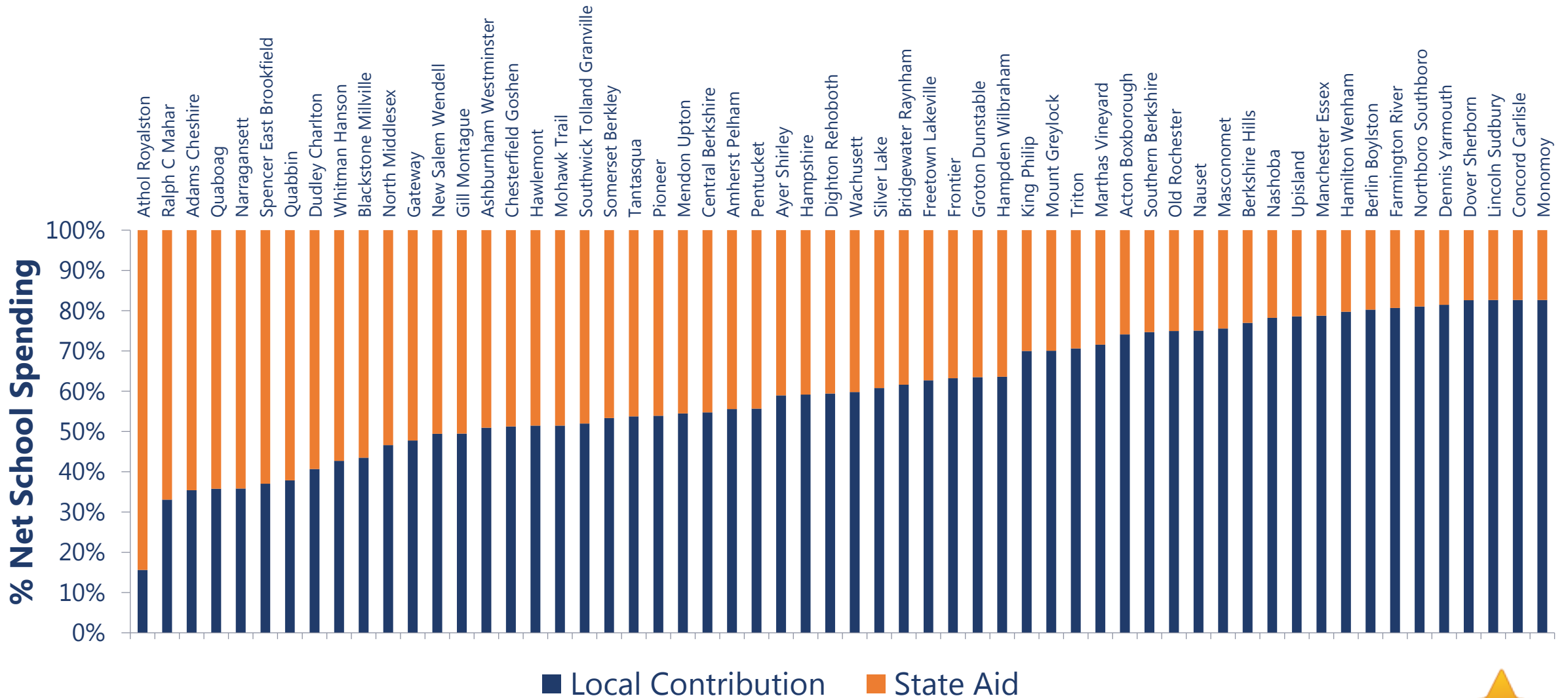
# Chapter 70 aid is determined in three basic steps

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.

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



# 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.



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

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	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	
<b>Foundation Enrollment</b>	0	0	0	0	0	941	0	0	1	43	37	9	160	985
1 Administration	0	0	0	0	0	355,472	0	0	378	16,244	96,467	23,465	0	492,025
2 Instructional Leadership	0	0	0	0	0	642,016	0	0	682	29,338	0	0	0	672,036
3 Classroom and Specialist Teachers	0	0	0	0	0	3,809,657	0	0	4,712	295,949	318,316	0	461,706	4,890,339
4 Other Teaching Services	0	0	0	0	0	452,480	0	0	642	20,677	297,207	358	0	771,364
5 Professional Development	0	0	0	0	0	122,452	0	0	168	9,251	15,355	0	11,838	159,065
6 Instructional Equipment & Tech	0	0	0	0	0	681,736	0	0	453	54,517	13,403	0	0	750,108
7 Guidance and Psychological	0	0	0	0	0	357,439	0	0	303	16,334	0	0	0	374,075
8 Pupil Services	0	0	0	0	0	481,472	0	0	136	22,001	0	0	0	503,609
9 Operations and Maintenance	0	0	0	0	0	859,312	0	0	1,176	73,490	107,758	0	71,032	1,112,767
10 Employee Benefits/Fixed Charges	0	0	0	0	0	816,882	0	0	1,075	56,139	123,991	0	47,355	1,045,442
11 Special Ed Tuition	0	0	0	0	0	0	0	0	0	0	0	222,787	0	222,787
<b>12 Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,578,918</b>	<b>0</b>	<b>0</b>	<b>9,724</b>	<b>593,938</b>	<b>972,497</b>	<b>246,610</b>	<b>591,931</b>	<b>10,993,618</b>
13 Wage Adjustment Factor	100.0%												<b>Foundation Budget per Pupil</b>	<b>11,161</b>
14 Economically Disadvantaged Decile	3													

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.



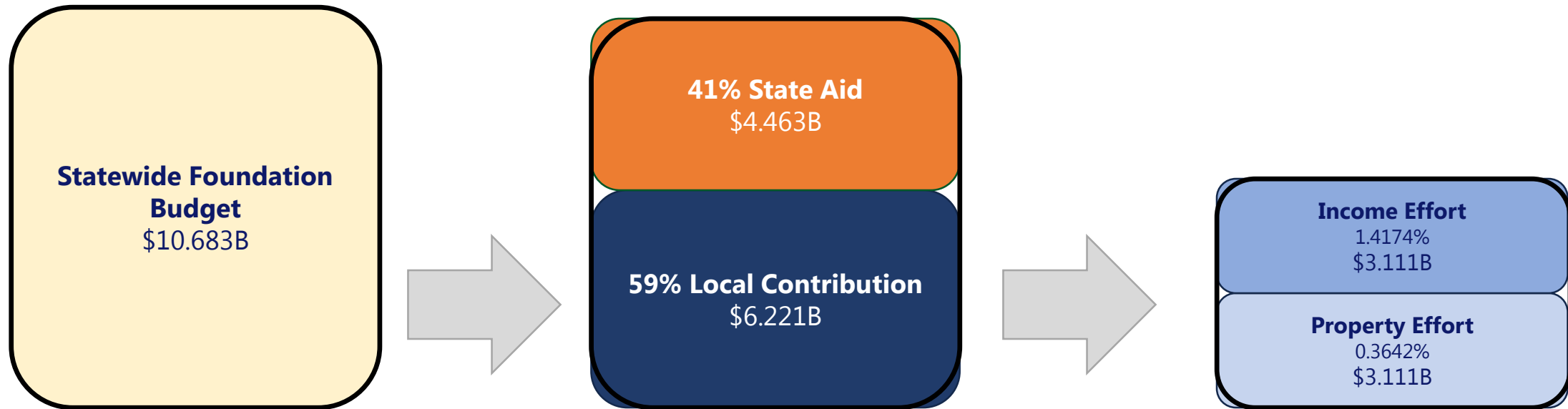
# How is the required local contribution calculated?

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 (0.3642%) to the town's 2016 total equalized property valuation
- Then apply this year's income percentage (1.4174%) to the town's 2015 total residential income

**Local Property Effort**

+ **Local Income Effort**

= **Combined Effort Yield (CEY)**

- Target Local Share = CEY/Foundation budget
  - Capped at 82.5% of foundation
  - In FY19, 147 of 351 communities are capped.



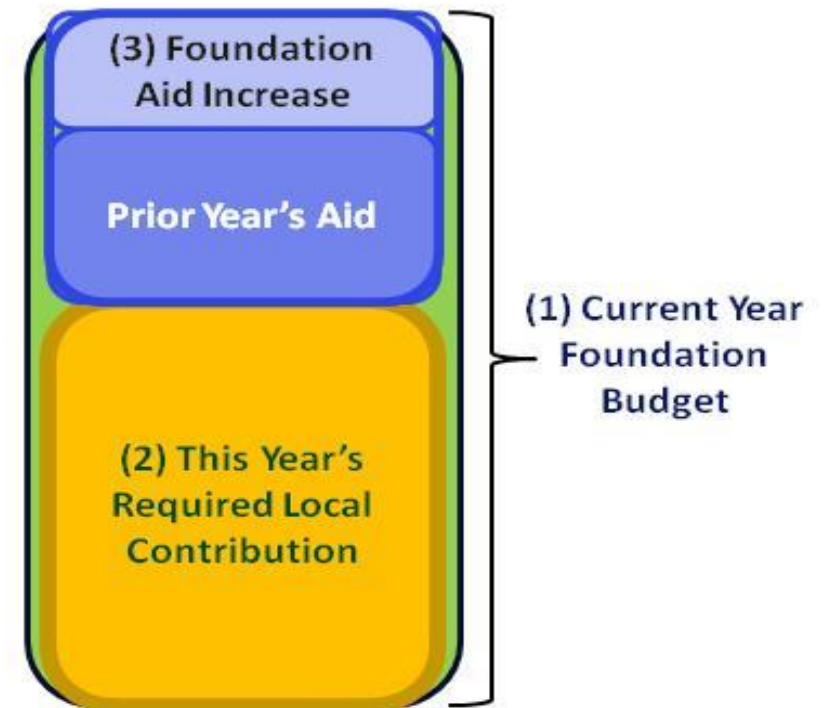
# Calculating Chapter 70 Aid

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

$$\text{Foundation Budget} - \text{Required Local Contribution} = \text{Foundation Aid}$$

- Start with prior year's aid
  - FY18 c70 (statewide: \$4.746B)
- 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.

## Chapter 70 in 3 Steps



# Calculating Chapter 70 Aid

- Districts are held harmless to the previous year's level of aid.
- In FY19, "minimum aid" is also available.
- District receives at least \$20 per pupil in additional aid over FY18 (213 operating districts).

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### Aid Calculation FY19

#### Prior Year Aid

1 Chapter 70 FY18	3,957,968
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#### Foundation Aid

2 Foundation budget FY19	7,473,874
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3 Required district contribution FY19	3,819,740
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4 Foundation aid (2 -3)	3,654,134
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5 Increase over FY18 (4 - 1)	0
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#### Minimum Aid

6 Minimum \$20 per pupil increase	15,380
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#### Non-Operating District Reduction to Foundation

7 Reduction to foundation	0
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#### FY19 Chapter 70 Aid

9 sum of line 1, 5 minus 7	3,973,348
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# Calculating Chapter 70 Aid

## 273 Somerset

### Aid Calculation FY19

#### Prior Year Aid

1 Chapter 70 FY18 **7,542,377**

#### Foundation Aid

2 Foundation budget FY19 17,656,517

3 Required district contribution FY19 9,561,936

4 Foundation aid (2 -3) 8,094,581

5 Increase over FY18 (4 - 1) **552,204**

#### Minimum Aid

6 Minimum \$20 per pupil increase **0**

#### Non-Operating District Reduction to Foundation

7 Reduction to foundation **0**

#### FY19 Chapter 70 Aid

9 sum of line 1, 5 minus 7 **8,094,581**

## 763 Somerset Berkley

### Aid Calculation FY19

#### Prior Year Aid

1 Chapter 70 FY18 **4,855,502**

#### Foundation Aid

2 Foundation budget FY19 10,993,618

3 Required district contribution FY19 5,864,853

4 Foundation aid (2 -3) 5,128,765

5 Increase over FY18 (4 - 1) **273,263**

#### Minimum Aid

6 Minimum \$20 per pupil increase **0**

#### Non-Operating District Reduction to Foundation

7 Reduction to foundation **0**

#### FY19 Chapter 70 Aid

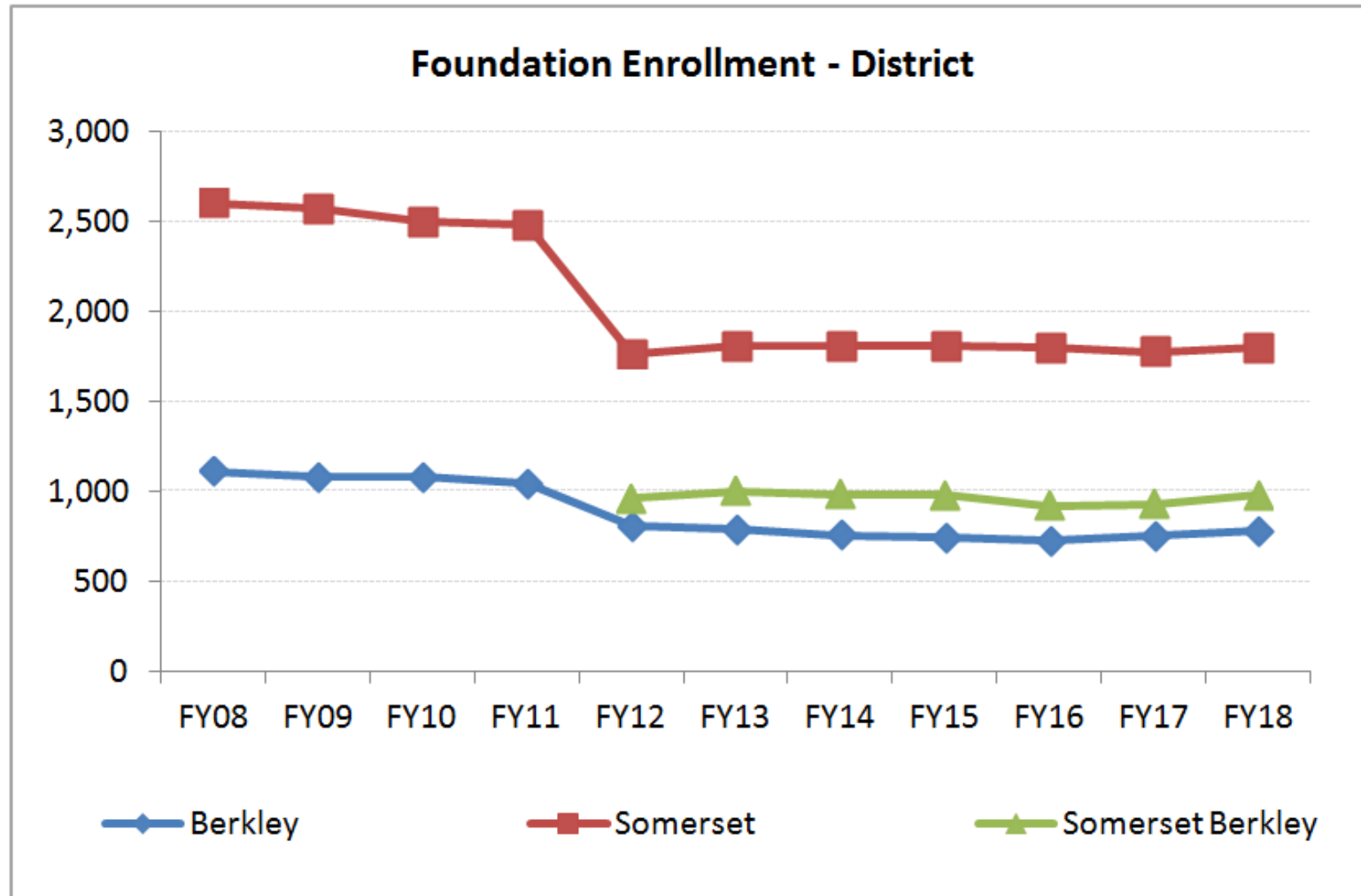
8 sum of line 1, 5, and 6 minus 7 **5,128,765**

**02**

## **District specific data**



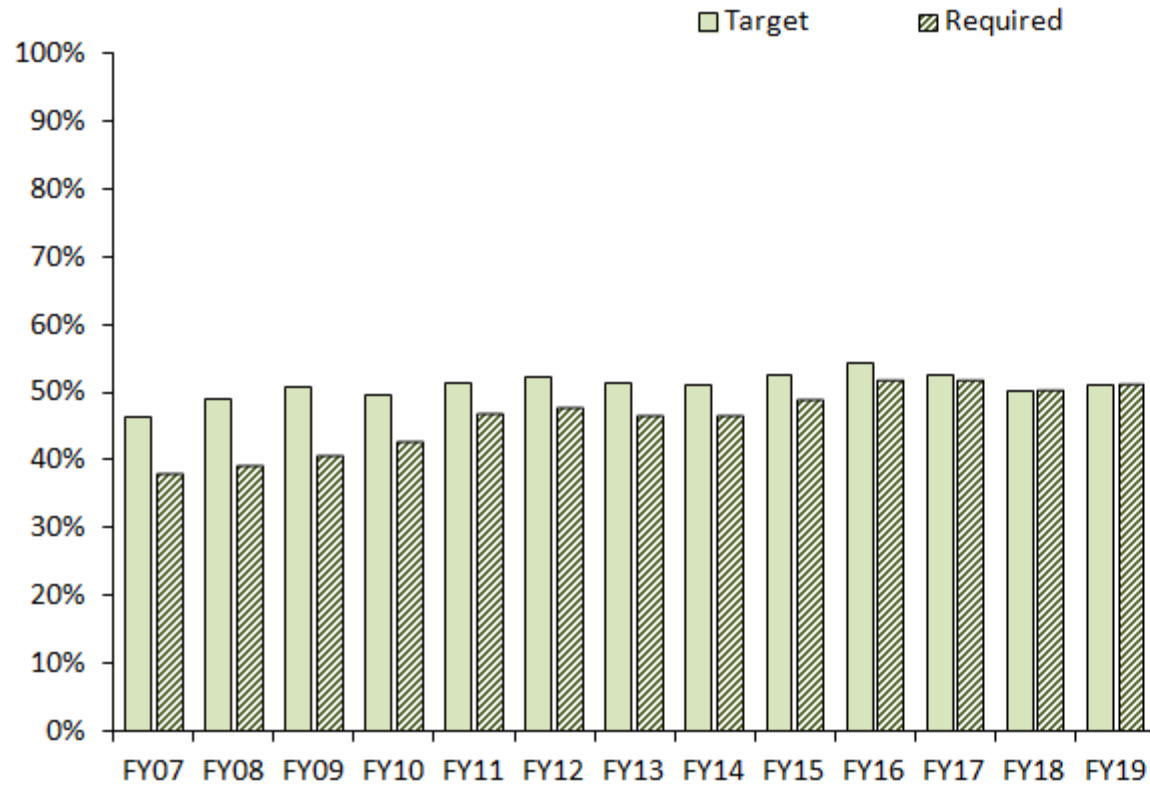
# Since the district reorganized, foundation enrollment has been flat



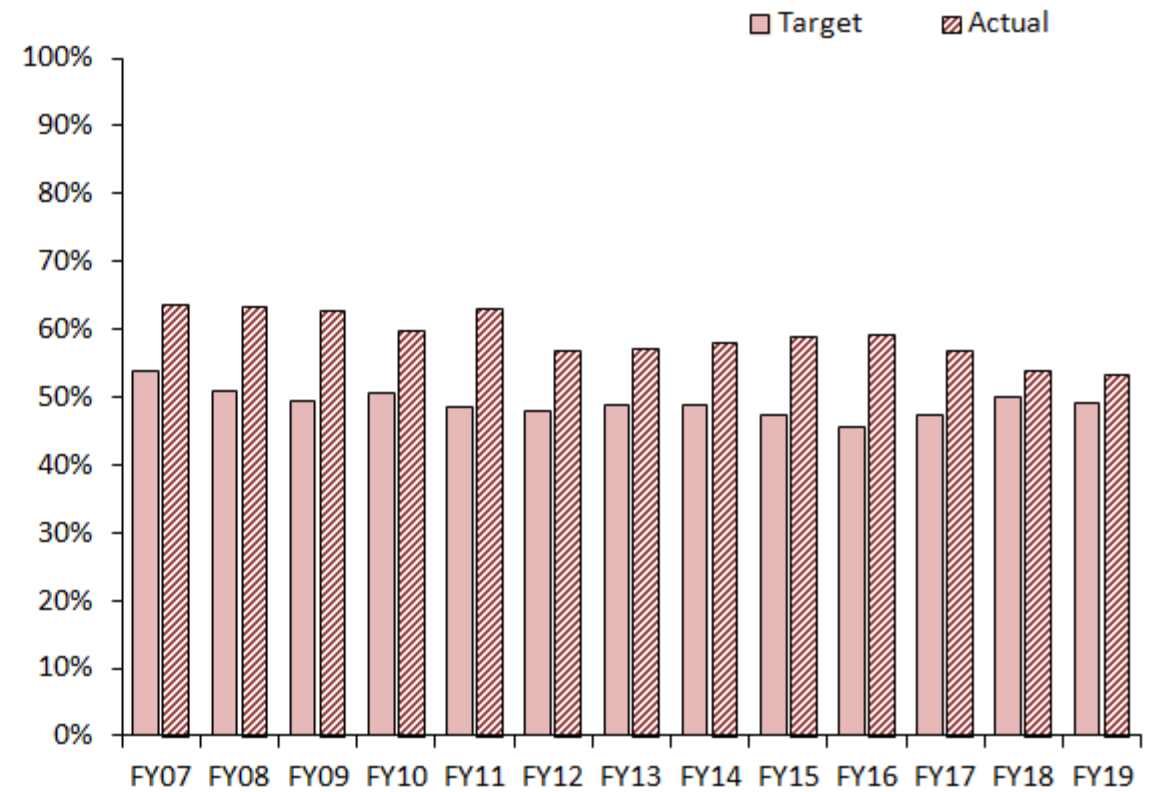
# Berkley's contribution was below target and its aid is above target

## 27 Berkley

### Target and Required Local Contribution Percentages

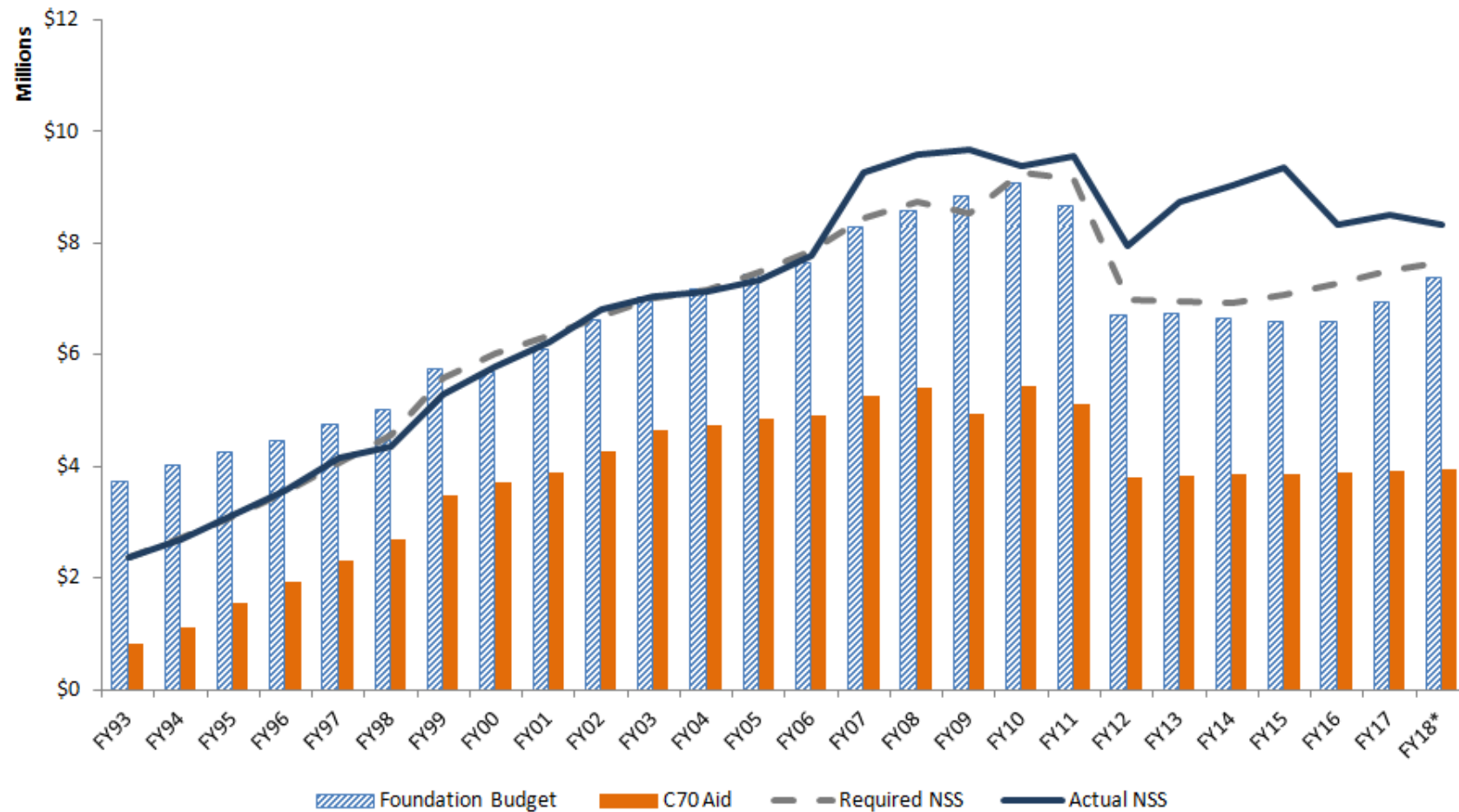


### Target and Actual Aid Percentages



# Berkley's actual NSS is now closer to required NSS

## 0027 Berkley

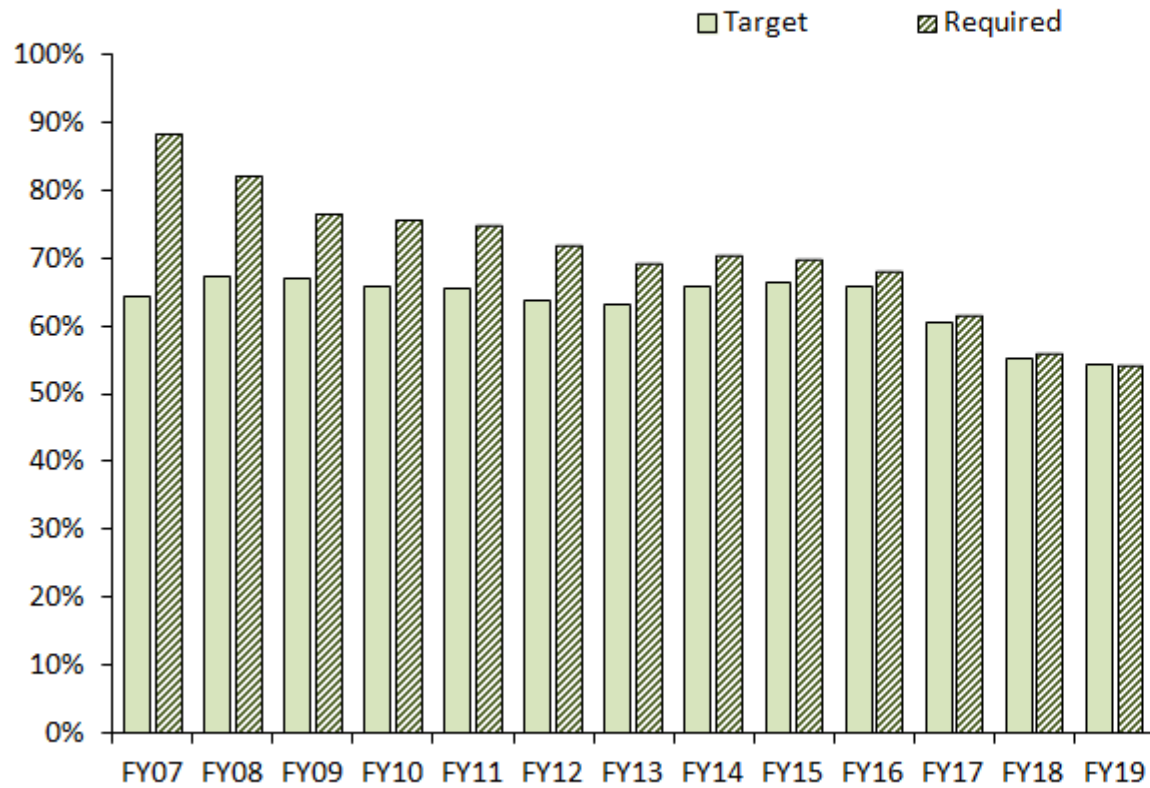


	Dollars Over/Under Requirement	% Over/ Under
FY08	864,200	9.9%
FY09	1,142,994	13.4%
FY10	121,518	1.3%
FY11	420,481	4.6%
FY12	959,522	13.7%
FY13	1,798,043	25.9%
FY14	2,097,297	30.2%
FY15	2,267,685	32.0%
FY16	1,036,521	14.2%
FY17	977,705	13.0%
FY18*	666,217	8.7%

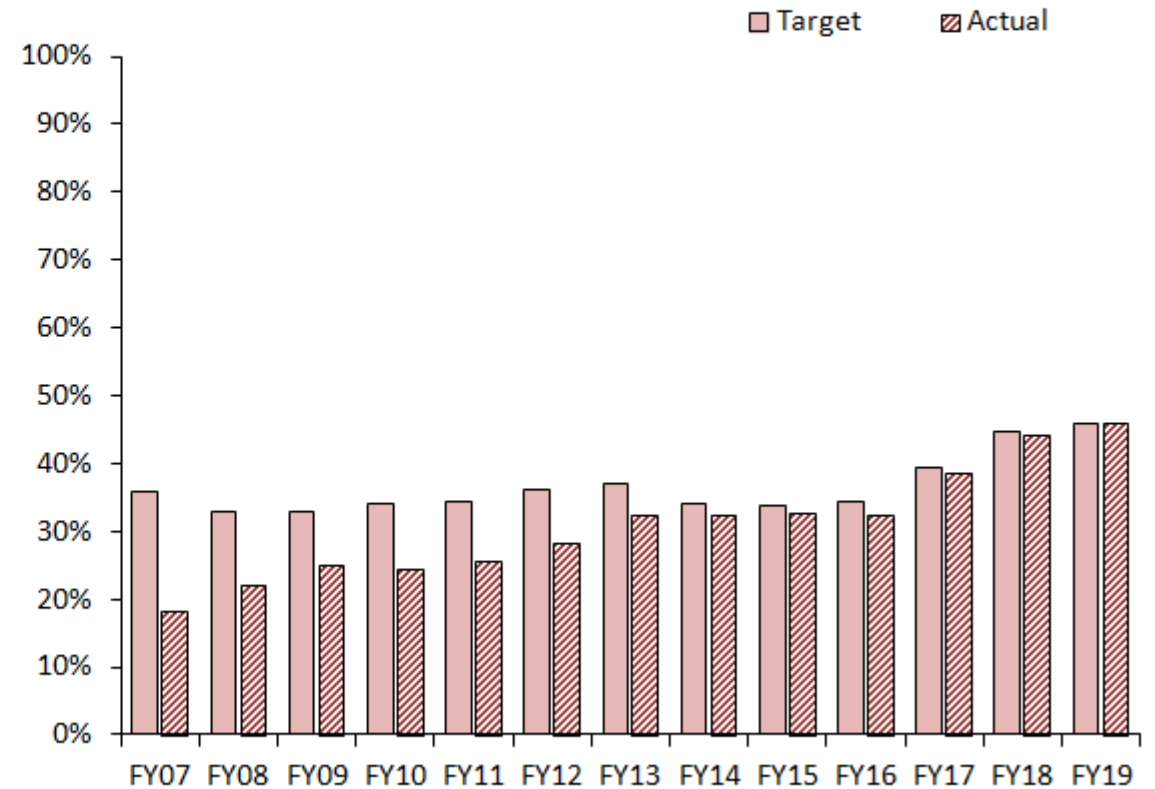
# Somerset's contribution was above target and it's aid was below target

## 273 Somerset

Target and Required Local Contribution Percentages

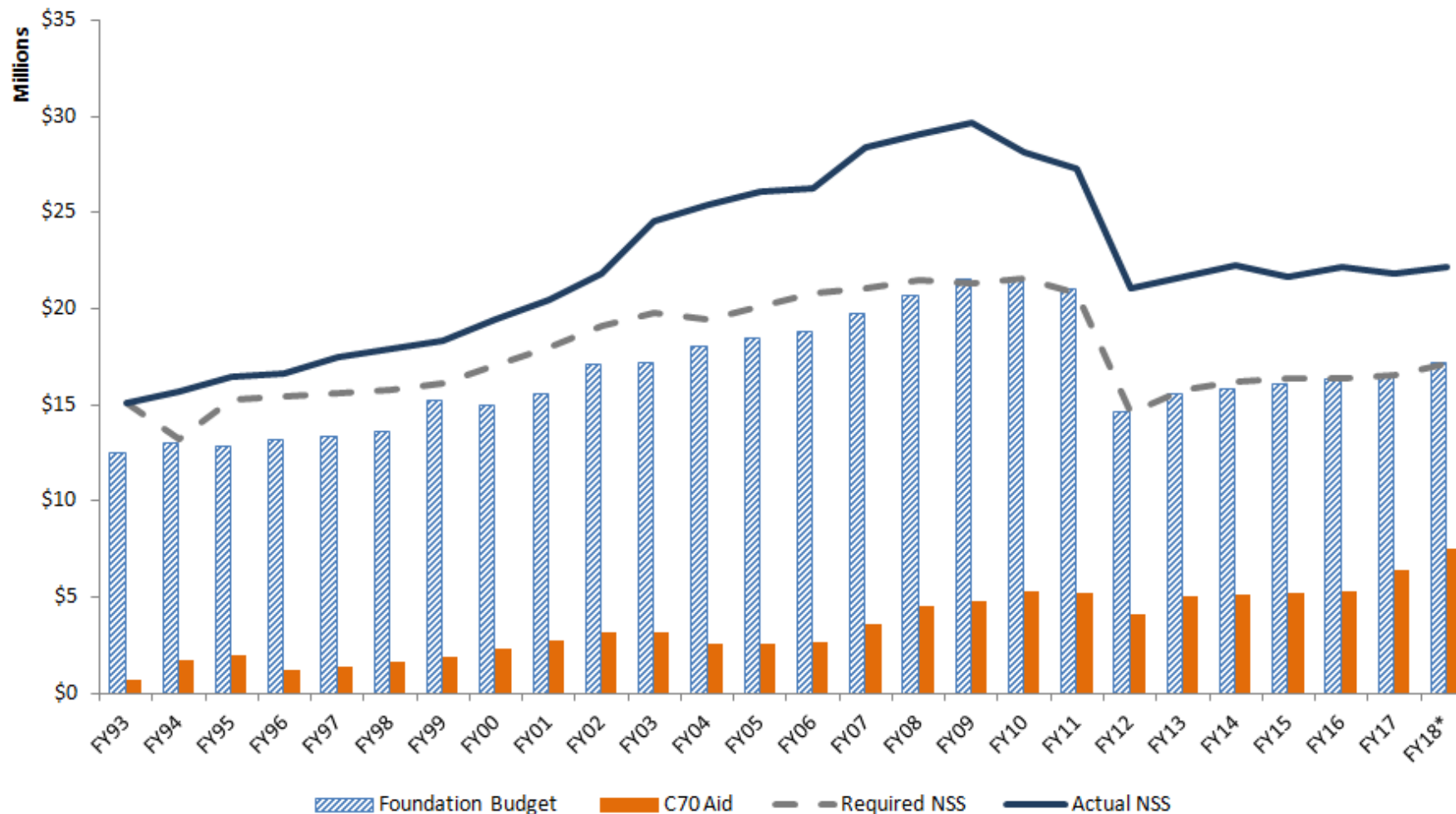


Target and Actual Aid Percentages



# Somerset's actual NSS is 30% above it's required NSS, the state average is 26% above

## 0273 Somerset

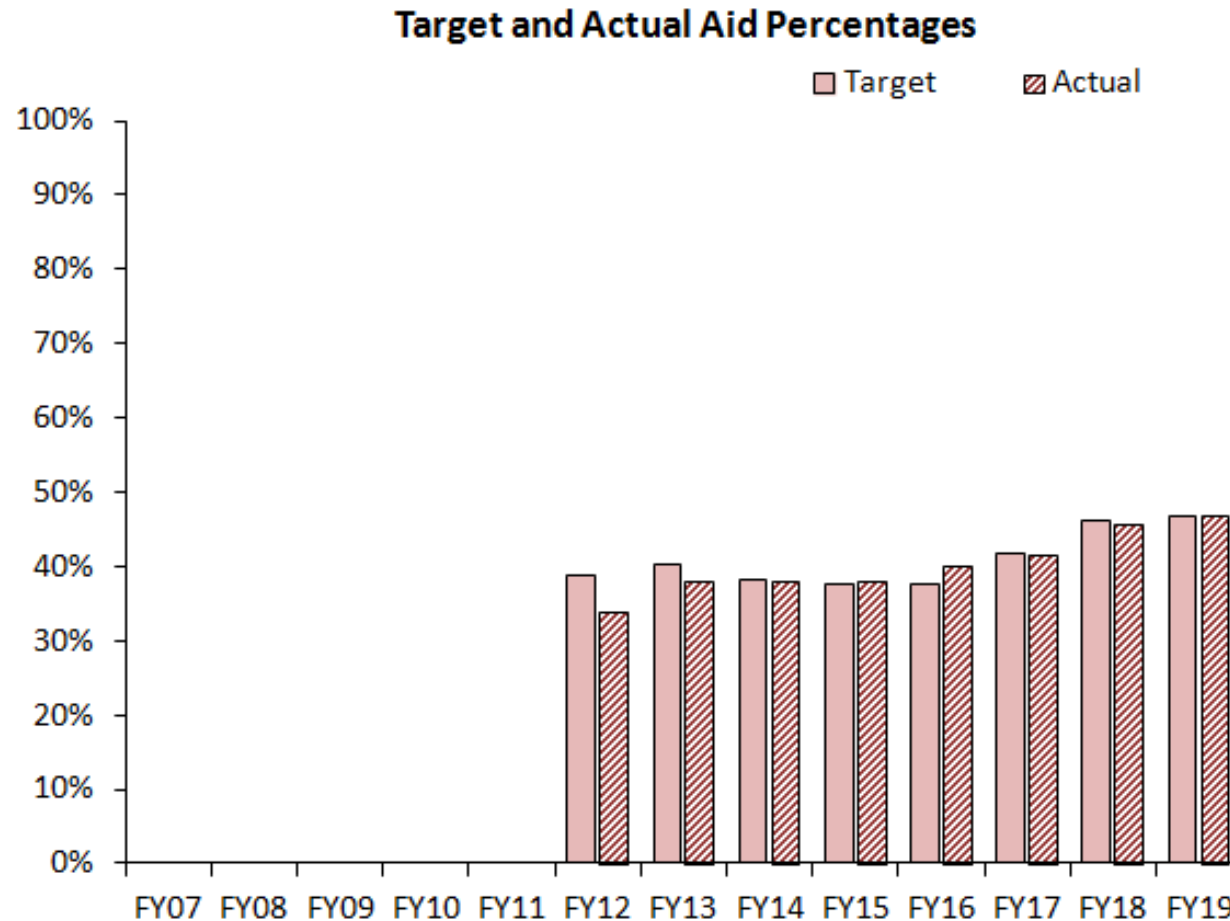


	Dollars Over/Under Requirement	% Over/ Under
FY08	7,566,280	35.2%
FY09	8,400,786	39.5%
FY10	6,595,548	30.6%
FY11	6,397,481	30.7%
FY12	6,473,224	44.4%
FY13	5,865,339	37.2%
FY14	6,005,822	37.0%
FY15	5,281,865	32.2%
FY16	5,829,858	35.6%
FY17	5,270,989	31.8%
FY18*	5,076,768	29.6%



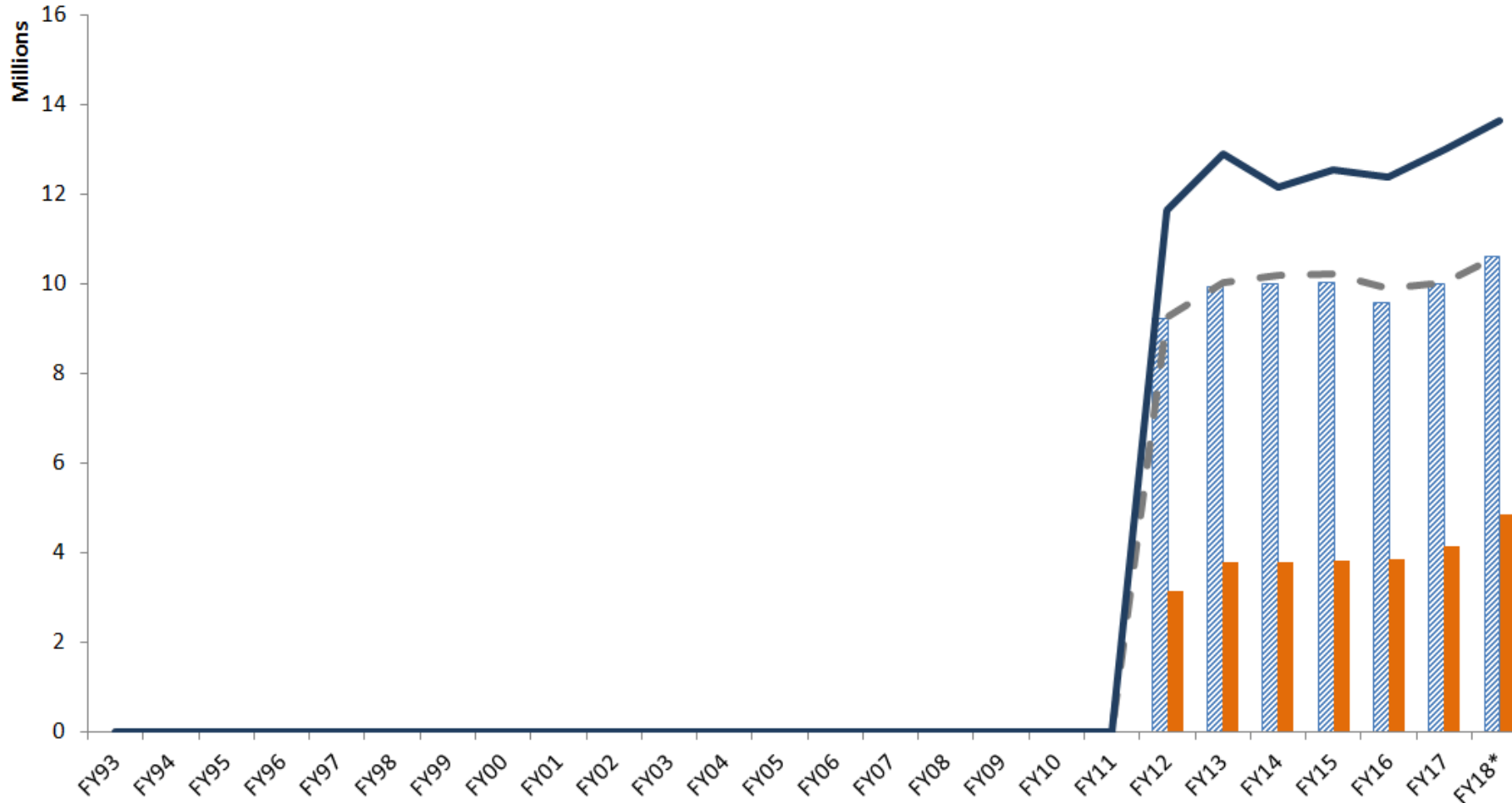
# Somerset Berkley's aid is now at target

## 763 Somerset Berkley



# Somerset Berkley's actual NSS is close to 30% above required NSS

## 0763 Somerset Berkley



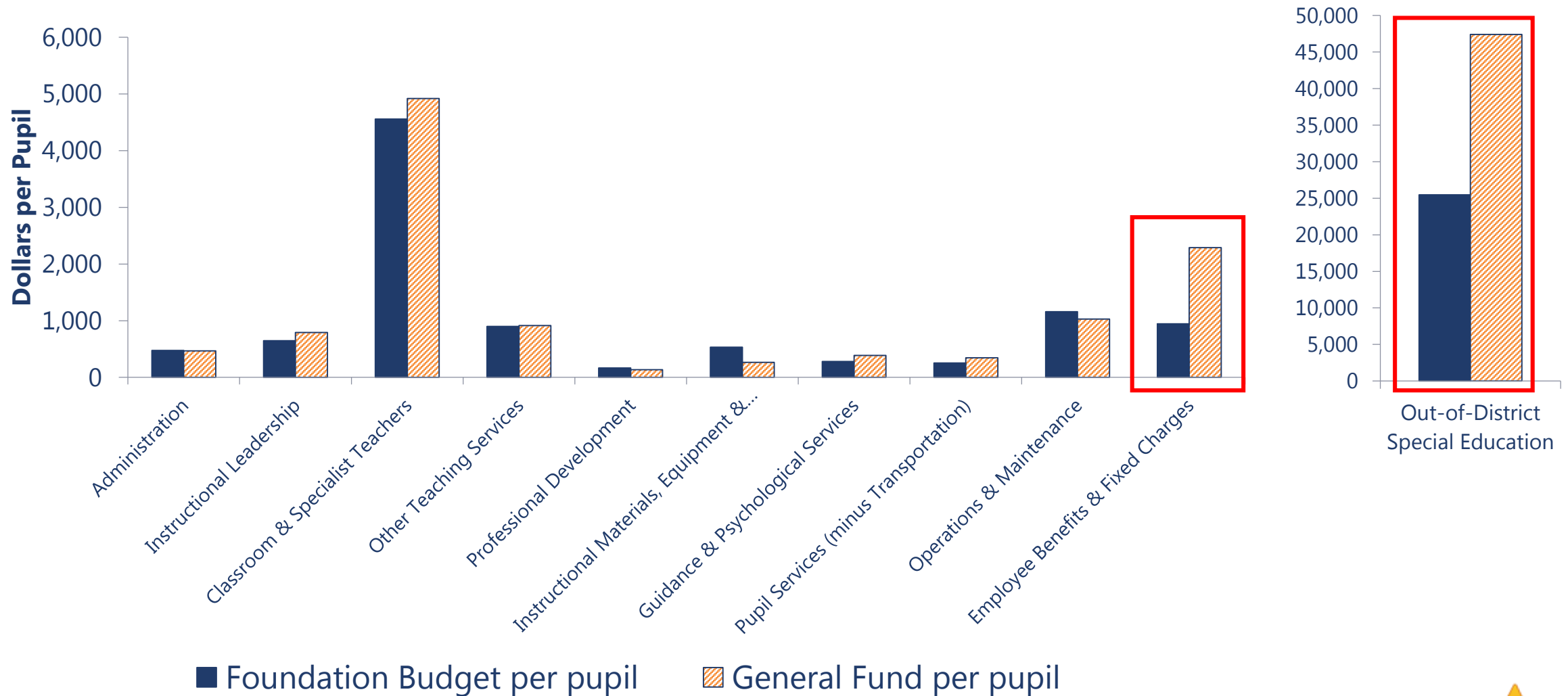
	Dollars Over/Under Requirement	% Over/ Under
FY08	0	0.0%
FY09	0	0.0%
FY10	0	0.0%
FY11	0	0.0%
FY12	2,396,347	25.9%
FY13	2,864,248	28.6%
FY14	1,986,199	19.5%
FY15	2,317,047	22.7%
FY16	2,489,024	25.1%
FY17	2,974,756	29.7%
FY18*	3,003,096	28.2%

**03**

# **Foundation Budget Review Commission (FBRC)**



# 2013 Foundation budget compared to actual spending



# FBRC recommendations

Category	Description	Status
Health insurance	<ul style="list-style-type: none"> <li>• Include retired employee health in the rate and increase rates</li> </ul>	<ul style="list-style-type: none"> <li>• Foundation budget rates adjusted to include retirees and rates increased to account for higher costs</li> </ul>
Special education	<ul style="list-style-type: none"> <li>• Increase assumed % for in-district non-vocational students from 3.75% to 4.00%</li> <li>• Increase out-of-district foundation budget rate to reflect what districts must pay before Circuit Breaker is triggered</li> </ul>	<ul style="list-style-type: none"> <li>• Not yet implemented</li> </ul>
English language learners (ELL)	<ul style="list-style-type: none"> <li>• Convert ELL from a base rate to an increment on a base rate</li> <li>• Increase ELL increment for all grades</li> </ul>	<ul style="list-style-type: none"> <li>• Not yet implemented</li> </ul>
Low income	<ul style="list-style-type: none"> <li>• Increase increment for districts with high concentrations of low income students</li> <li>• Capture all economically disadvantaged (EcoDis) students with new count</li> </ul>	<ul style="list-style-type: none"> <li>• Transition to EcoDis in FY17</li> <li>• New structure gives higher rates to districts with higher concentrations of EcoDis</li> <li>• Statewide foundation budget increased over what it was with FRL counts</li> </ul>

# Resources

- Chapter 70: <http://www.doe.mass.edu/finance/chapter70/>
- Per pupil expenditure report:  
<http://www.doe.mass.edu/finance/statistics/ppx12-16.html>
- RADAR: <http://www.doe.mass.edu/research/radar/>

# THANK YOU

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