

Shrewsbury Public Schools

State Education Aid Report

December 5, 2012

Topics

- What is Chapter 70 aid?
- What is Circuit Breaker?
- Terms/definitions
- How is Chapter 70 calculated?
- Chapter 70 Trends and History
- Chapter 70 Shortcomings
- Circuit Breaker Example
- Circuit Breaker History
- Local Aid Decreasing
- Summary



What is Chapter 70 aid?

- Chapter 70 education aid is a state level funding mechanism 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.
- Shrewsbury is scheduled to receive \$18,748,463 for FY13
- Funds go to the Town's General Fund



What is Circuit Breaker?

- The Circuit Breaker program was started in 2004 after the state 50/50 program.
- Circuit Breaker is the state aid program for high cost special education students
- Eligibility is tied to four times the state average foundation budget per pupil ($\$10,128 \times 4 = \$40,512$)
- Circuit Breaker trips when it is above this threshold and pays 75% (which has varied) of the cost above this amount



Terms/Definitions

- Foundation budget (FB):
 - A minimum spending level needed to provide an adequate education. Each district's is unique depending upon:
 - Enrollment
 - Student demographics
 - Inflation
 - Wage levels for different geographic areas of the state



Terms/Definitions

- Required Local Contribution (RLC):
 - The minimum required amount that the community must contribute towards its foundation budget
- Target Local Contribution (TLC):
 - A goal amount that each community should contribute towards its foundation budget based upon its wealth



How is Chapter 70 Calculated

- Three Steps
- Step 1: Calculate Foundation Budget
- Step 2: Calculate Required Local Contribution
- Step 3: Fill the Gap with Chapter 70 Aid

- Step 4: Not Part of Formula - Districts may spend more than foundation and most do

Three Steps– Fill the Gap

- Step 1- Calculate Foundation Budget
- Step 2 – Calculate Required Local Contribution
- Step 3 Fill the Gap with Chapter 70 Aid

Millions

\$60

\$55

\$50

\$45

\$40

\$35

\$30

\$25

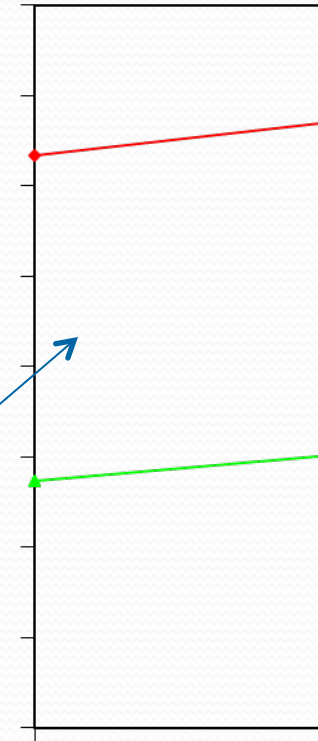
\$20

FY12

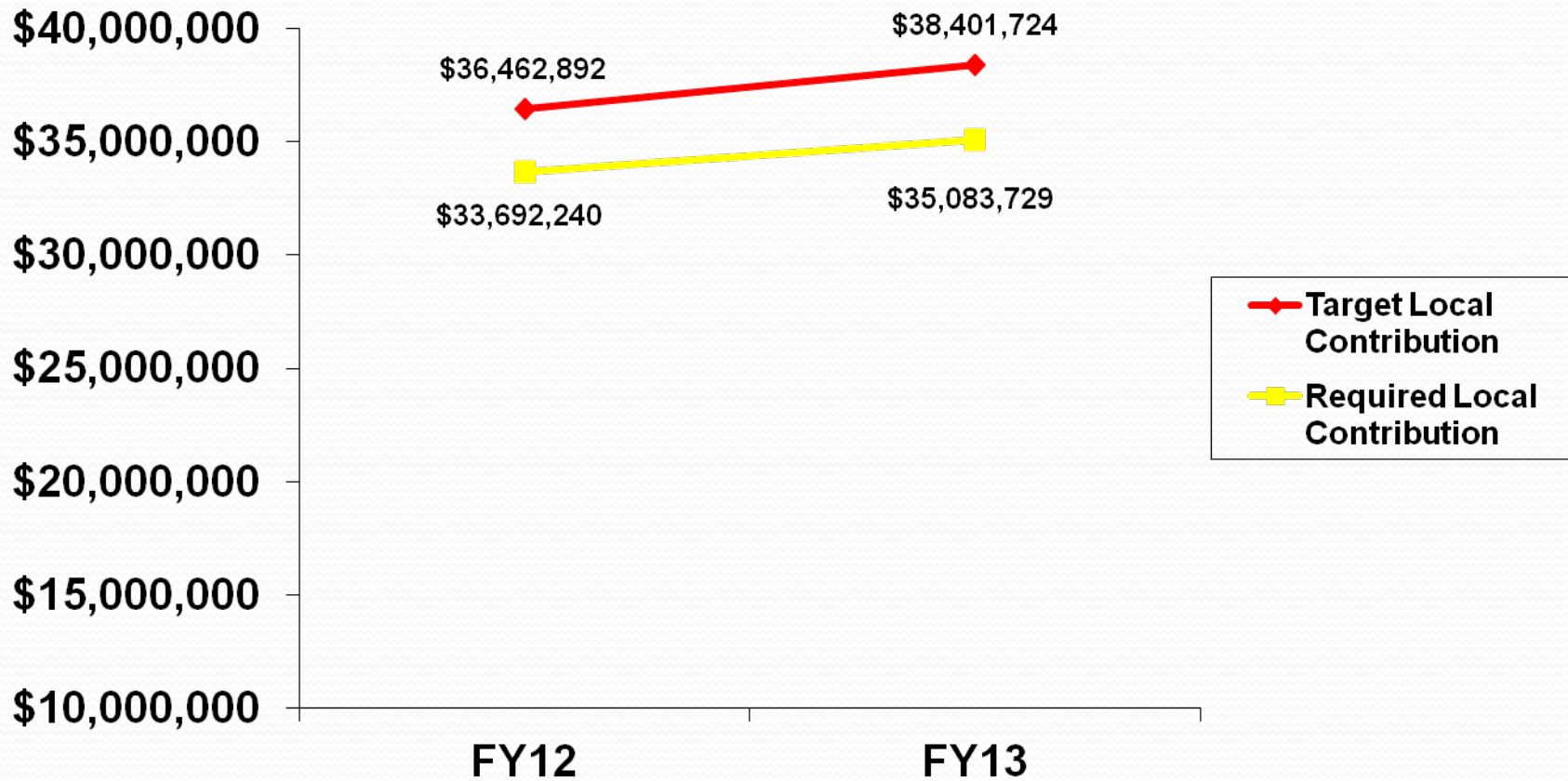
FY13

Ch:70 aid makes up the difference.

—●— Foundation Budget
—▲— Required Local Contribution



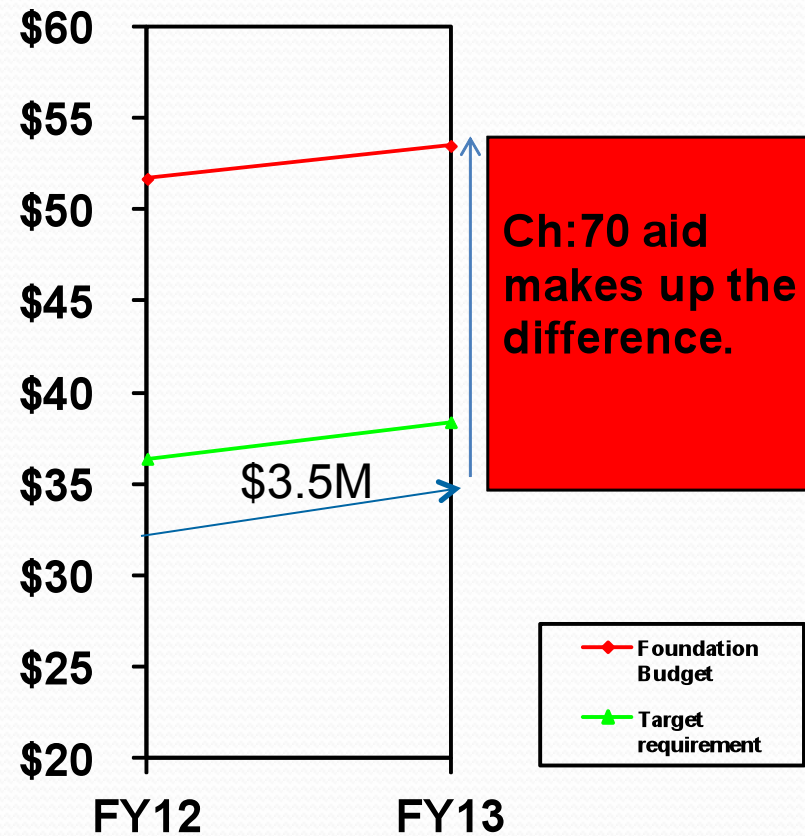
State Target vs. State Requirement



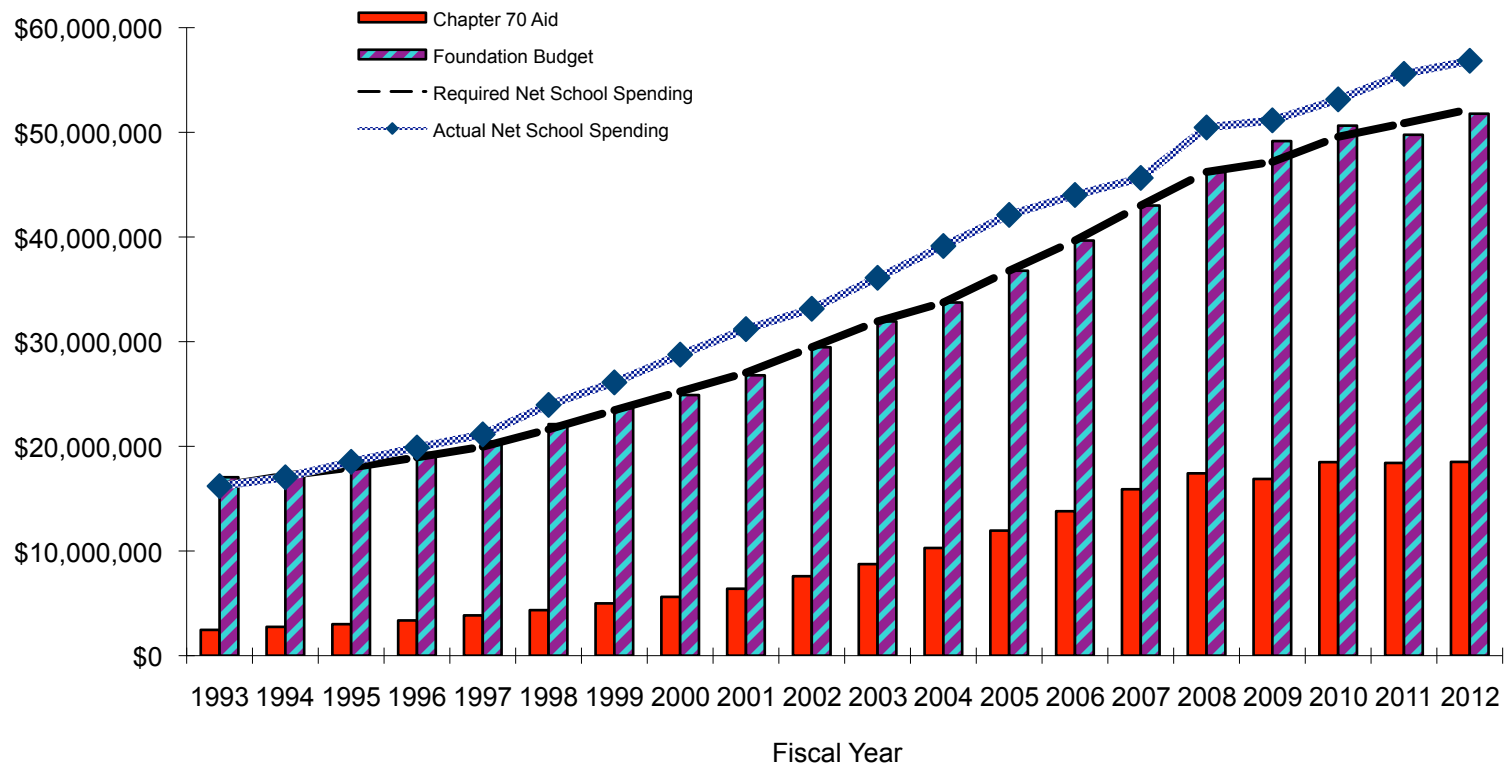
Target Requirement

Millions

- If the State moved Shrewsbury to Target Requirement
- Shrewsbury would receive \$3.5 M Less Chapter 70 Aid



Chapter 70 Trends





Chapter 70 Shortcomings

- Not adequately kept up with Cost of Health Insurance
- Does not adequately fund the rising costs of Special Education Costs
- Does not take into account the changing needs of education, particularly around technology
- Does not account for transportation costs or debt payments
- It is important to note that federal stimulus money during the financial crisis backfilled much of the Chapter 70 aid

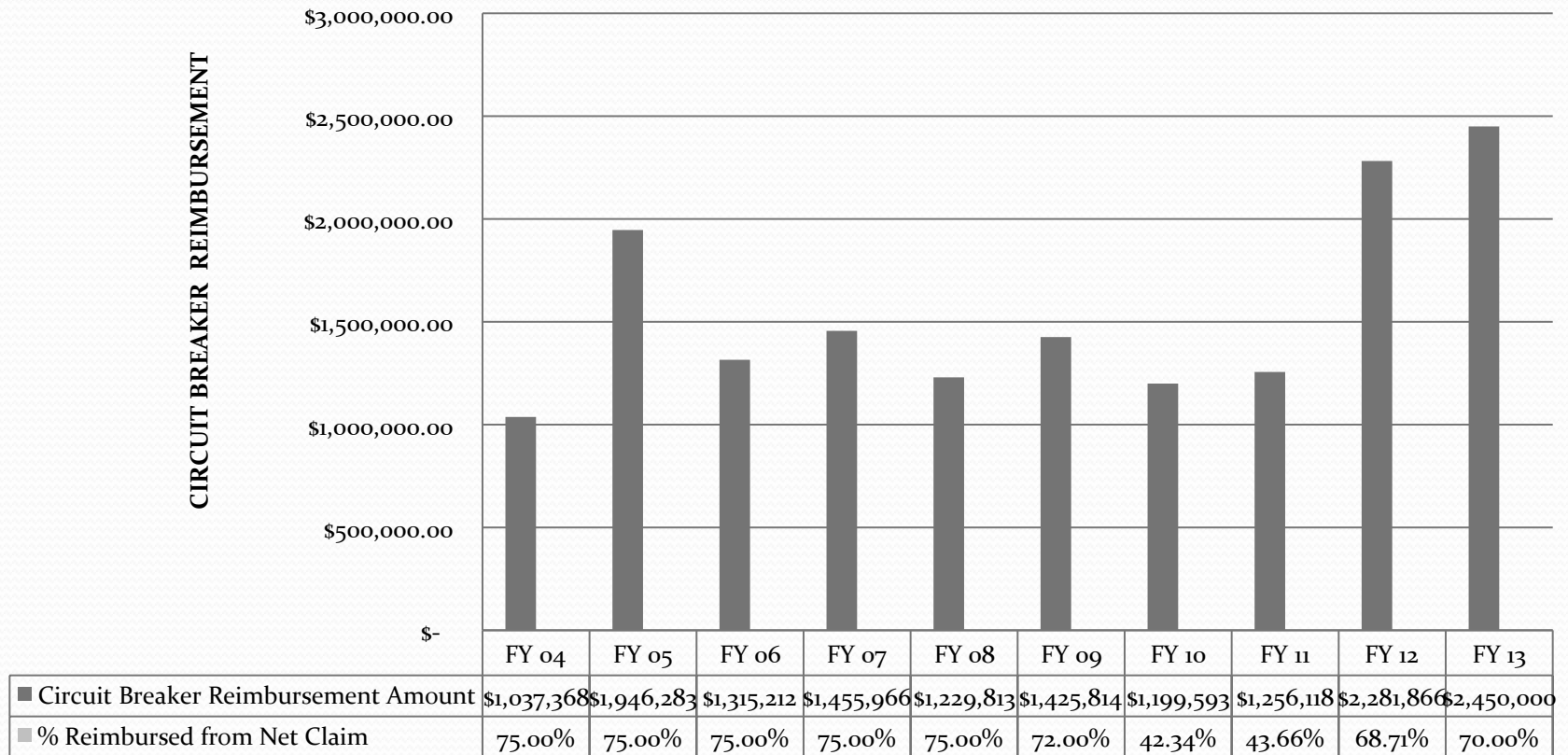


Circuit Breaker – How it works

- Example: A special education student cost a district \$50,000 in FY13
- Eligible Reimbursement=
- $(\$50,000 - 10,128 * 4) * 75\% = \$7,116$ paid in FY14
- This reimbursement trails by one year
- District must shoulder the first \$40K and 25% of the additional cost.
- Transportation is not included
- Shrewsbury is expected to receive \$2,446,317 in four quarterly payments in FY13 for FY12 costs
- Funds go to a school revolving account

Circuit Breaker History

CIRCUIT BREAKER HISTORY FY₀₄ -FY₁₃





State Aid – Decreasing

- The Town's share of "Local Aid" which is the combination of Chapter 70 and General Government aid less charges and assessments has been decreasing over the last five years.
- Due to less Government Aid and increasing charges and assessments mainly due to charter school sending tuitions.
- The total reduction in "Local Aid" is approximately \$1.7 M from FY09.
- This is putting tremendous pressure on cities and towns despite rising personnel and health care costs.



Summary

- Both Circuit Breaker and Chapter 70 aid are critical funding sources that supply more than \$21 M to Shrewsbury
- Both formulas have flaws and shortcomings
- The state considers Shrewsbury to be below its targeted local share of education funding based on its property and income wealth, and as a result state levels of funding could stagnate in the future.
- It is hoped that the legislature will update the formula to address areas where current educational needs are different than what they were when the formula was established almost twenty years ago.
- Circuit Breaker has increased in recent years due to rising costs and a movement towards restoring the reimbursement rate.
- However, Local Aid for cities and towns continues to erode

QUESTIONS?

Chapter 70 State Education Aid Report