



Shrewsbury Public Schools

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To: School Committee

Subj: Chapter 70 Aid Report

Overview

This memo provides an overview of the preliminary FY15 Chapter 70 state funding and compares our funding with other districts.

Chapter 70 Aid is the state funded program that allocates resources for education to school districts in the Commonwealth. The Education Reform Law of 1993 included this extensive program of state aid to cities and towns for the operation of K-12 public schools. The original intent of the program was “to ensure that every public school system had adequate funding, regardless of the wealth of the local community.” The financing formula has evolved from its original state to consider a community’s ability to pay according to its property values as well as income levels. Thus, the program that began in 1994 continues to provide substantial resources to communities throughout the Commonwealth under the aggregate wealth model. The goal of the Chapter 70 formula is 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.

Updates for FY15

Pursuant to section 6 of chapter 70 of the General Laws, the Commissioner of Elementary and Secondary Education is issuing the preliminary estimates of Chapter 70 school aid and net school spending requirements for FY15. These estimates are based on House 2, Governor Patrick's proposed state budget for the coming fiscal year. The proposal increases aid from \$4,301,214,591 billion to \$4,400,696,187 billion, an increase of \$99.5 million or 2.3 percent. **These are preliminary estimates subject to change as the House and Senate deliberate on the budget.** The Commissioner will issue the final, official school spending requirements as soon as the Governor and Legislature approve either the FY15 state budget or an earlier local aid resolution.

Shrewsbury falls into the \$25/student additional aid and our preliminary Chapter 70 state aid is now up \$148,575 to \$19,045,813.

The Shrewsbury Public Schools in partnership with the community, will provide students with the skills and knowledge for the 21st century, an appreciation of our democratic tradition, and the desire to continue to learn throughout life.

Here are some of the key points about the Governor's proposal:

- The aggregate wealth model used in the formula since FY07 continues to be in effect. For municipalities with required contributions above their targets, the equity component of the formula is reduced by 50% of the gap.
- 59 operating districts receive foundation aid to ensure that they do not fall below their foundation budgets.
- 94 operating districts receive downpayment aid to bring them closer to their target aid share.
- 201 operating districts receive minimum per pupil aid to ensure that they receive an increase of at least \$25 per pupil over FY14.
- Foundation budgets are raised by an inflation factor of 0.86 percent.
- Enrollment grew by .3 percent; forty-one percent of districts saw increases of as much as 18 percent.
- The cap on regular education pre-kindergarten enrollment, previously at twice the number of special education pre-kindergarten enrollment, is lifted. Districts can now count all enrolled pre-kindergarten students provided they do not pay tuition.

Source: http://www.doe.mass.edu/finance/chapter70/chapter_15p.html

Components

The Chapter 70 aid to school districts is determined through four basic steps:

STEP 1: CALCULATE FOUNDATION BUDGET

This total "foundation budget" is designed to represent the total cost of providing an adequate education for all students, and it is often expressed as a per-pupil foundation budget by dividing the total foundation budget by the number of students. A district's foundation budget is derived by multiplying the number of pupils in fourteen enrollment categories by cost rates in eleven functional areas. The enrollment categories include Preschool, Kindergarten, Elementary, Middle, High School, English Language Learners, and Vocational as well as incremental cost categories including Special Education In-District and Out of District, and Low Income. Certain formulas are used that assume ratios of students and staff that apply to all districts, not specific to each district. The functional areas include administration, instructional leadership, classroom teachers, guidance, maintenance and operations, employee benefits as well as a wage and inflation factor to sum up the foundation budget.

STEP 2: CALCULATE REQUIRED LOCAL CONTRIBUTION

Once the total foundation budget is established, the state calculates each city and town's "ability to contribute" local revenue towards the operation of its schools. Local ability to contribute varies widely based upon the incomes and property values of different cities and towns. The required local contribution is basically a measure of how much local tax revenue a city or town can reasonably raise and dedicate to the operation of its schools and is known as the aggregate wealth model.

As part of the 2007 reforms, the state now calculates two separate local contribution amounts for each district before coming up with a final required contribution. The state gets to the required contribution through three steps:

1. A "preliminary contribution" is calculated by taking the previous year 's required local contribution and multiplying it by the Municipal Revenue Growth Factor, a rate that estimates growth in local revenues from year to year.
2. A "target contribution" is calculated by looking at the specific property values and income wealth of a given community.
3. Since the target contribution is more directly tied to each community's current ability to contribute, the state then sets a "required contribution" designed to move districts whose preliminary contributions are either above or below their target contributions towards the target. The final required contribution is then set based on uniform rules, and falls in between the preliminary and target contributions.

It is important to note that Shrewsbury's determination of its required contribution is below the target and is as follows for FY15:

	<u>Target Amount</u>	<u>Percentage of Foundation</u>
A) FY14 Required Local Contribution	\$36,553,737	66.37%
B) Preliminary FY15 Required Contribution	\$37,847,739	68.29%
C) FY14 Target Local Share	\$42,589,482	76.84%
D) Adjusted FY13 Required Contribution	\$38,578,814	69.61%

- Preliminary FY15 Required Contribution represents the FY14 Required Local Contribution multiplied by the Municipal Revenue Growth Factor of 3.54%
 $A \times 103.54\% = B$
- FY15 Target Local Share represents what the state formula indicates what Shrewsbury should be contributing based on its property value and citizens' income.
- Adjusted FY15 Required Contribution represents the state's requirement for Shrewsbury to move closer to the Target Local Share. This is determined by taking 2% of the FY14 Required Local Contribution and adding it to the Preliminary FY15 Required Contribution $(A \times 2\%) + B = D$
- The 2% adjustment is required because Shrewsbury's Preliminary FY15 Required Contribution of 68.29% is more than 7.5% below the Target Local Share of 76.84% (it is 8.55% lower).
- Note: The FY15 Adjusted Required Contribution is \$4,010,668 less than the state's target for Shrewsbury (D-C)

STEP 3: FILL THE GAP WITH CHAPTER 70 EDUCATION AID

Chapter 70 education aid is then determined by filling the gap between a district's required local contribution and its foundation budget. Calculating state aid from the difference between steps 1 and 2 ensures that every district can fund the total baseline education determined appropriate by the foundation budget. This is because Shrewsbury's Required Local Contribution is below the target given its wealth and therefore only qualifies for the Minimum Aid of \$25 per pupil. This scenario will likely be the case for the next several years as the state moves Shrewsbury closer to its target.

STEP 4: AFTER CHAPTER 70 AID IS DETERMINED, DISTRICTS MAY CONTRIBUTE MORE

The required local contribution is only a minimum amount that cities and towns must contribute to their school districts, and many communities opt to contribute significantly more. For this reason, the Chapter 70 formula provides a baseline school budget, but it does not ensure equitable total funding across the state. Net School Spending is defined as the Chapter 70 Aid plus the Towns Required Local Contribution. Cities and Towns must spend at least their Required Net School Spending and the chart below indicates that Shrewsbury has exceeded its Net School Spending Requirements and has spent between 6% and 16% percent above its Required Net School Spending and has recently been around 10%. However, the state average increase above Net School Spending is 15% and our peer districts spend on average almost 30% above their Required Net School Spending. ²

History of Chapter 70 Aid to Shrewsbury

<u>Year</u>	<u>Enrollment</u>	<u>Foundation Budget</u>	<u>Required Local Contribution</u>	<u>Chapter 70 Aid</u>	<u>Required Net School Spending</u>	<u>Actual Net School Spending</u>	<u>% Over</u>
FY03	4,953	\$31,933,286	\$23,187,512	\$8,745,774	\$31,933,286	\$36,101,586	13.1
FY04	5,128	\$33,741,872	\$23,454,168	\$10,287,704	\$33,741,872	\$39,141,459	16.0
FY05	5,383	\$36,777,283	\$24,828,582	\$11,948,701	\$36,777,283	\$42,111,030	14.5
FY06	5,571	\$39,662,058	\$25,861,451	\$13,800,607	\$39,662,058	\$44,016,335	11.0
FY07	5,705	\$43,006,922	\$27,107,973	\$15,898,949	\$43,006,922	\$45,644,331	6.1
FY08	5,811	\$46,216,469	\$28,796,799	\$17,419,670	\$46,216,469	\$50,466,635	9.2
FY09	5,852	\$49,163,923	\$30,297,112	\$16,882,697	\$47,179,809	\$51,146,928	8.4
FY10	5,857	\$50,640,025	\$31,084,837	\$18,489,475	\$49,574,312	\$53,150,125	7.2
FY11	5,848	\$49,767,093	\$32,455,678	\$18,412,775	\$50,868,453	\$55,586,903	9.3
FY12	5,921	\$51,780,005	\$33,692,240	\$18,511,623	\$52,203,863	\$56,347,893	7.9
FY13	5,921	\$53,574,892	\$35,083,729	\$18,748,463	\$53,832,192	\$59,050,981	9.7
FY14**	5,921	\$55,072,809	\$36,553,737	\$18,897,213	\$55,450,975	\$61,115,247*	10.0
FY15**	5,943	\$55,423,622	\$38,578,814	\$19,045,813	\$57,624,627	N/A	N/A

*Budgeted Net School Spending

**FY14 & FY15 Chapter 70 aid including additional \$25 Per Student recommended by Governor's budget.

FY12 Comparative Districts Percentage Spent Above Required Net School Spending with Assabet Valley Collaborative Districts & DART* Districts with over 4,000 students

*DART is the Department of Elementary and Secondary Education’s (DESE’s) District Analysis and Review Tools which turns vast amount of information into valuable reports. DART generates a list of comparable districts based on enrollment and other similar characteristics to produce numerous reports. More information can be found at <http://www.doe.mass.edu/apa/dart/>

<u>Community</u>	<u>% Over Required Net School Spending in FY12</u>
ARLINGTON	32.2%
BERLIN	77.2%
BOYLSTON	60.5%
CHELMSFORD	12.1%
GRAFTON	4.2%
HUDSON	35.0%
MARLBOROUGH	26.2%
MAYNARD	30.3%
MILLBURY	23.3%
NATICK	26.7%
NORTH ANDOVER	17.8%
NORTH ATTLEBOROUGH	1.6%
NORTHBOROUGH	49.0%
SHREWSBURY	7.9%
SOUTHBOROUGH	48.8%
WALPOLE	16.4%
WESTBOROUGH	48.4%
BRIDGEWATER RAYNHAM	12.6%
State of Massachusetts	15.4%
Average from above (excludes State)	29.45%

History of Shrewsbury's Target Percentage: State Target vs. Actual Required Contribution

	<u>Target Local Share</u>	<u>Actual Required Contribution</u>	<u>Shortfall from Target</u>
FY07	73.81%	63.00%	10.81%
FY08	71.25%	61.14%	10.11%
FY09	71.95%	60.45%	11.50%
FY10	70.06%	60.79%	9.27%
FY11	71.61%	64.59%	7.02%
FY12	70.42%	64.44%	5.98%
FY13	71.68%	64.86%	6.82%
FY14	74.56%	66.37%	8.82%
FY15	76.84%	69.61%	8.55%

Added Increment to move Shrewsbury closer towards its Target Contribution*

	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15 Proposed</u>
Shortfall from Target Share	10.11%	11.50%	9.27%	7.02%	5.98%	6.82%	8.82%	8.55%
% Increment Toward Target Required Contribution	2.00%	2.00%	1.00%	1.00%	1.00%	1.00%	1.00%	2.00%
Dollar Amount Added	\$542,159	\$575,936	\$302,971	\$310,848	\$324,557	\$336,922	\$350,837	\$731,075

- *Since Shrewsbury preliminary local contribution is **less than** its target local contribution, an additional increment is added to augment the preliminary contribution to move it closer to target. Shrewsbury's is greater than 7.5% (8.55%), thus 2% is added.

Shrewsbury's History of Aggregate Wealth Formula

	Total Property Value	Based on EQV* of FY	% Change from previous year	Local Effort Expected From Property Wealth	% Change from previous year	Total Income	Based on DOR Income of FY	% Change from previous year	Local Effort Expected From Income	% Change from previous year
FY07	4,240,111,400	2004		14,344,056		1,066,918,000	2003		17,397,295	
FY08	5,041,995,700	2006	18.91%	14,836,850	3.44%	1,146,679,000	2004	7.48%	18,092,948	4.00%
FY09	5,041,995,700	2006	0.00%	15,662,911	5.57%	1,266,804,000	2005	10.48%	19,712,326	8.95%
FY10	5,422,224,900	2008	7.54%	16,056,162	2.51%	1,296,828,000	2006	2.37%	19,423,127	-1.47%
FY11	5,422,224,900	2008	0.00%	16,029,830	-0.16%	1,433,099,000	2007	10.51%	19,607,179	0.95%
FY12	5,064,277,500	2010	-6.60%	15,941,257	-0.55%	1,401,655,000	2008	-2.19%	20,521,635	4.66%
FY13	5,064,277,500	2010	0.00%	16,313,711	2.34%	1,369,893,000	2009	-2.27%	22,088,013	7.63%
FY14	5,071,030,400	2012	0.13%	18,039,318	11.68%	1,491,062,000	2010	8.85%	23,023,326	5.27%
FY15- P	5,071,030,400	2012	0%	18,319,687	1.55%	1,601,879,000	2011	7.43%	24,209,796	5.15%

*EQV – Equalized Property Value

- Since FY07, Shrewsbury's Total Property Value has increased 19.59% and the financial contribution expected for education from property wealth has increased 27.71%
- Since FY07, Shrewsbury's Total Income has increased 50.14% and the financial contribution expected for education from income wealth has increased 39.15%

Comparison of Chapter 70 shortfall from target with Assabet Valley Collaborative Districts & DART Districts with over 4,000 students

<u>Community</u>	<u>Target Local Share %</u>	<u>Shortfall % From Target Local Share</u>	<u>Required Incremental Contribution Toward Target</u>	<u>Shortfall from expected local effort</u>
ARLINGTON	82.50	4.66	\$381,321	\$1,973,069
BERLIN	82.50	0.00	0	0
BOLTON	82.50	0.00	0	0
BOYLSTON	82.50	0.00	0	0
BRIDGEWATER	61.81	0.00	0	0
CHELMSFORD	79.57	0.00	0	0
GRAFTON	66.02	3.04	\$176,964	\$710,502
HUDSON	58.49	0.00	0	0
MARLBOROUGH	60.94	0.00	0	0
MAYNARD	67.17	0.00	0	0
MILLBURY	58.20	0.00	0	0
NATICK	82.50	0.00	0	0
NORTH ANDOVER	82.50	0.00	0	0
NORTH ATTLEBOROUGH	62.80	5.83	\$256,600	\$2,464,123
NORTHBOROUGH	82.50	0.00	0	0
RAYNHAM	62.64	0.00	0	0
SHREWSBURY	76.84	8.55	\$731,075	\$4,010,668
SOUTHBOROUGH	82.50	0.00	0	0
STOW	82.50	0.00	0	0
WALPOLE	79.15	0.00	0	0
WESTBOROUGH	82.50	0.00	0	0

Chapter 70 Preliminary Funding – Assabet Valley Collaborative Districts & Dart Districts with over 4,000 students

<u>Community</u>	<u>Increase in Dollars</u>	<u>Increase in Dollars per Pupil</u>	<u>Increase %</u>
ARLINGTON	185,602	\$36	1.85
BERLIN	4,150	\$25	0.96
BOYLSTON	15,901	\$53	3.72
CHELMSFORD	128,050	\$25	1.25
GRAFTON	77,575	\$25	0.74
HUDSON	364,629	\$132	3.47
MARLBOROUGH	864,792	\$180	4.63
MAYNARD	156,298	\$112	3.88
MILLBURY	133,116	\$75	1.97
NATICK	368,488	\$69	4.43
NORTH ANDOVER	168,444	\$36	2.37
NORTH ATTLEBOROUGH	114,650	\$25	0.58
NORTHBOROUGH	44,475	\$25	1.21
SHREWSBURY	148,575	\$25	0.79
SOUTHBOROUGH	33,075	\$25	1.21
WALPOLE	96,725	\$25	1.30
WESTBOROUGH	289,328	\$84	6.11
BRIDGEWATER RAYNHAM	132,925	\$25	0.65

Out of the 351 cities and towns, Shrewsbury ranks 13th in the magnitude of shortfall from target local share. This puts Shrewsbury in the bottom 4% of communities in the Commonwealth relative to the difference between the actual share of the foundation budget versus the target share determined by the state’s calculation based on property and income wealth of the community.

<u>District</u>	<u>Shortfall from target</u>	<u>Rank out of 72 Cities/Towns with a Shortfall</u>
ROYALSTON	35.96	1
TOLLAND	21.08	2
ATHOL	19.23	3
DUDLEY	11.56	4
HANSON	10.97	5
EAST BROOKFIELD	10.50	6
DUNSTABLE	9.92	7
FALL RIVER	9.51	8
MENDON	9.31	9

NEW BEDFORD	9.27	10
HOLYOKE	8.92	11
UPTON	8.88	12
SHREWSBURY	8.55	13
LAWRENCE	8.45	14
SPENCER	8.21	15
NORTHBRIDGE	8.12	16
GARDNER	6.82	17
OAKHAM	6.77	18
WRENTHAM	6.50	19
SPRINGFIELD	6.35	20
WHITMAN	5.95	21
WEYMOUTH	5.69	22
NORTH ATTLEBOROUGH	5.67	23
TEMPLETON	5.49	24
CHESHIRE	5.37	25
WEST BROOKFIELD	5.35	26
CLARKSBURG	4.64	27
CHARLTON	4.54	28
MILLVILLE	4.48	29
CHELSEA	4.24	30
WASHINGTON	4.06	31
BERKLEY	3.95	32
DOUGLAS	3.95	33
ADAMS	3.93	34
LEOMINSTER	3.92	35
SOUTHWICK	3.87	36
HAWLEY	3.86	37
MALDEN	3.59	38
HUBBARDSTON	3.40	39
BROCKTON	3.24	40
ARLINGTON	3.21	41
LOWELL	3.19	42
WARWICK	2.92	43
GRANVILLE	2.76	44
DRACUT	2.66	45
READING	2.59	46
GRAFTON	2.52	47
WEST NEWBURY	2.46	48
FRANKLIN	2.41	49
MARSHFIELD	2.02	50
HUNTINGTON	1.85	51
PEPPERELL	1.71	52
BOSTON	1.71	53
SHIRLEY	1.59	54
PLAINVILLE	1.43	55
NORTHFIELD	1.33	56
HINSDALE	1.28	57
WINCHESTER	1.03	58

LYNN	0.96	59
EAST BRIDGEWATER	0.87	60
RUSSELL	0.82	61
NATICK	0.79	62
FITCHBURG	0.78	63
MELROSE	0.73	64
SOUTHAMPTON	0.58	65
CHILMARK	0.45	66
MANCHESTER	0.25	67
WORCESTER	0.20	68
HOPEDALE	0.19	69
GEORGETOWN	0.13	70
FLORIDA	0.09	71
ACUSHNET	0.04	72

Summary

In conclusion, Chapter 70 is the state aid formula used to determine adequate funding levels to educate children throughout Massachusetts. Although the formula does have flaws, it is a critical funding source for cities and towns in Massachusetts. Shrewsbury's enrollment growth has slowed down, and the wealth formula requires Shrewsbury to assume a larger proportion of funding of the foundation budget; as a result state levels of funding have only increased by minimum levels in FY14 and preliminary FY15. 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. However, given that Shrewsbury receives a larger amount of education funding than the wealth formula calls for, it is unlikely to receive substantial increases to aid in the foreseeable future.

For more information on this Memo please see the "White Paper" explaining this year's formula which is found here:

http://www.doe.mass.edu/finance/chapter70/chapter_15p_explain.html

Additionally, we have included Shrewsbury's Chapter 70 detailed information also found on the DESE's website http://www.doe.mass.edu/finance/chapter70/chapter_15p.html

1 - Source: http://www.doe.mass.edu/finance/chapter70/chapter_15p.html

2 - MassBudget and Policy Center Report - "Demystifying The Chapter 70 Formula"
http://www.massbudget.org/report_window.php?loc=Facts_10_22_10.html