



Ronald B. Hogan
Chief Strategy and Innovation Officer

To: Malden City Council
From: Ron Hogan
Date: December 16, 2025
Re: School Funding

Last week's City Council finance meeting focused on two key aspects of school funding that each play a role in the challenges we face and ultimately played a role in the proposal before the City Council tonight. Understandably there was some confusion in the room as we talked about issues not typically covered at this level of detail. It's my hope that this memo provides some helpful additional information for tonight's meeting.

Net School Spending Compliance

Each year the Department of Education publishes a Required Net School Spending (NSS) figure that the City must meet to remain in compliance with Chapter 70 regulations. This figure includes spending on all public education and related administrative and benefit expenses, not just the Malden Public Schools direct budget. In fact, almost 30% of the Net School Spending figure ends up being comprised of items outside of the direct Malden Public Schools budget. Things like health insurance, pension costs, facilities costs, city back-office support and charter school costs are all significant components of what makes up the ultimate number we get 'credit' for when determining if we spent enough to be in compliance. While the MPS budget is of course known when we appropriate it, the rest of these figures need to be determined at the end of the fiscal year because they are driven by actual costs. We estimate how much each category will change from the prior year in attempting to provide full funding to the public schools each year.

Each year following the close of the prior fiscal year, the school business office compiles the figures to submit to DESE the 'actual' Net School Spending calculation. The City is part of this process in that many departments need to provide figures. Some are driven by enrollment. It is not until this is done that a City determines if it remains above NSS. Many, in fact most, school districts are well above the 'minimum' NSS figure and therefore the year end exercise is really one of reporting. For many years Malden had similar wiggle room. However, each year, as the Required Local Contribution has grown disproportionally and eaten up a larger share of our revenues, our excess above NSS has shrunk.

In November of 2025, calculations determined that for Fiscal Year 2025 (the period ending June 30, 2025), Net School Spending was \$1.6 million below the minimum required. The state requires that number to be made up. That means that for FY26, we will need to fund the MPS with an additional \$1.6 million for FY26 AND to fund \$1.6 million to meet NSS for FY25. Of course, the calculation for FY26 when completed in November of 2026 may add to or subtract from that deficit.

The following link will take you to the page on the DESE website that reports on this topic. They have not published the FY25 results, but we have them as submitted from the MPS finance office. I have also provided a snip of the FY24 Malden reporting on NSS.

<https://www.doe.mass.edu/finance/chapter70/compliance.html>

Massachusetts Department of Elementary and Secondary Education
Office of School Finance
Chapter 70 Net School Spending Compliance, FY24

July 2025

Malden	School Committee	City/Town	Total
Administration (1000)	2,791,180	971,114 *	3,762,294
Instruction (2000)	67,853,324	0 *	67,853,324
Attendance-Health (3100, 3200)	2,253,594	0 *	2,253,594
Food Services (3400)	0	0	0
Athletics/Student Activities/Security (3500, 3600)	990,869	235,024	1,225,893
Maintenance (4000)	5,977,468	4,817,254 *	10,794,722
Employer Retirement Contributions (5100)	95,278	3,670,968	3,766,246
Insurance (5200)	0	11,295,505	11,295,505
Retired Employee Insurance (5250)	0	3,519,614	3,519,614
Rentals (5300)	0	0 *	0
Short Term Interest (5400)	0	0	0
Tuition (9000)	6,218,634	9,463,558	15,682,193
Total School Spending (lines 1 through 12)	86,180,347	33,973,037	120,153,384
FY24 School Revenues			
14a) FY24 School Revenues *	1,094	0	1,094
14b) FY24 Charter Reimbursement	0	95,386	95,386
14c) Subtotal, School Revenues (14a + 14b)	1,094	95,386	96,480
FY24 Net School Spending (13 - 14)	86,179,252	33,877,651	120,056,904
FY24 Chapter 70 Required Net School Spending			117,616,659
Carryover from FY23			0
Total FY24 Net School Spending Requirement (16 + 17)			117,616,659

Below Effort Penalty

On an annual basis, DESE determines our 'target' share of the funding of education. I've referred to this as the 'target local contribution' or TLC and it's essentially the 'goal' for the state. This is the amount the formula says we can ultimately afford toward education. This is the figure I've spoken about often that is driven by EQV and Income and is the source of the problem for Malden. Recognizing that there needed to be some guardrails when this was implemented years ago, DESE each year also determines the current year Required Local Contribution (RLC) that is driven by the year over year growth in municipal revenues. If TLC is the 'goal' of the formula, RLC is the current year requirement. DESE determines our current year RLC by taking the prior year RLC and adding a percentage based upon Malden's Municipal Growth Factor. That MGF is essentially the percentage growth in our local revenues year over year. If left at this point, it would help limit the damage from an arbitrary TLC figure. However, if the RLC as calculated from the MGF is below the TLC by more than 2.5%, the formula adds a 'penalty' to bridge some of the gap. The use of the MGF to limit RLC growth is essentially offset by this 'penalty' and it's this annual penalty that has continued to put pressure on the RLC and by extension our budget. Because it's beyond the growth of our local revenues by design, it must pull from other areas of government.

I have attached below a snip from the section of the annual calculation for the current fiscal year related to this below effort yield penalty.

If preliminary contribution is below the target share:

21) Shortfall from target local share (10 - 15)	10,267,264
22) Shortfall percentage (11 - 16)	7.59%
23) Added increment toward target (13 x 1% or 2%)*	1,193,273
<i>*1% if shortfall is between 2.5% and 7.5%; 2% if shortfall > 7.5%</i>	
24) Special increment toward 82.5% target**	0
<i>**if combined effort yield > 175% foundation</i>	
Combined effort yield as % of foundation	
25) Shortfall from target after adding increments (10 - 15 - 23 - 24)	9,073,991
26) FY26 required local contribution (15 + 23 + 24)	62,933,236
27) Contribution as percentage of foundation (26 / 8)	46.51%

I realize this topic is dense but did want to provide this follow up after last week and hope it provides some additional clarity to the distinction between the two related but different topics that drove the discussion.