

Chapter 70 School Funding Formula, Student Opportunity Act, And Impact On Malden

Presentation to the Malden City Council

April 9, 2024

Malden State Legislative Delegation

Chapter 70 Formula And Student Opportunity Act

- Chapter 70 formula was created as part of the Education Reform Act of 1993
- Student Opportunity Act (SOA) was signed into law in 2019
 - Most significant update to the Chapter 70 formula since it was created
 - Took almost a decade of work to gain consensus
 - Addressed the adequacy and equity issues pertaining to the calculation of foundation budgets
 - Commitment by the state to increase Chapter 70 aid by \$1.4 billion - being phased in over six years
 - Did not make changes to the local contribution side of the Chapter 70 formula.

Benefits To Malden From Passage Of The SOA

Significant increases in Chapter 70 state aid

- FY23 Chapter 70 increase of \$2.7 million (+5.2%), for a total amount of \$54.1 million
 - Largest increase in Chapter 70 (in both dollar amount and percent) since FY13
 - Despite enrollment decline of 118 students
- FY24 Chapter 70 increase of \$9.1 million (+16.9%), for a total amount of \$63.2 million

Additional Benefits To Malden From The SOA

Increase in special education circuit breaker reimbursements

- SOA included transportation costs for out-of-district special education students
- \$1.3 million in net eligible transportation claims in FY23 (for FY22 expenses)

Increase in charter school tuition reimbursements

More accurate calculation of low-income student population

- 4,420 in FY23 (66% of the student population), compared to 3,447 in FY17 (43% of the student population)
- Impacts calculation of Foundation Budget, and thus Chapter 70 aid

State Grants for Education (2019 - Present)

State Grant Category: Education		
Year	Amount Total (\$)	Percent of All Grants (%)
2019	\$44,754.00	1.60%
2020	\$402,200.00	9.30%
2021	\$3,346,956.00	63.75%
2022	\$737,682.00	4.75%
2023	\$2,121,696.00	26.70%
2024	\$54,869.00	1.38%
TOTAL	\$6,708,157.00	16.81%

Table 1: Education grants received by City and community organizations (2019-2024)

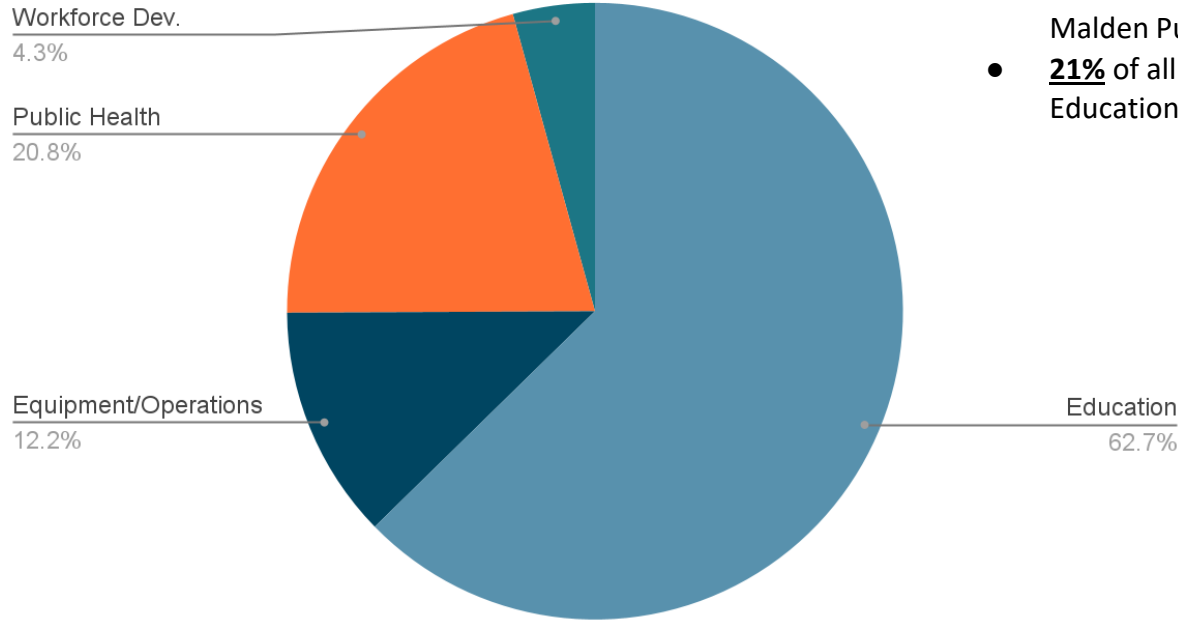
- Table 1 includes grants distributed organizations that serve the Malden community, including:
 - ACBD, Mystic Valley YMCA, Housing Families, YWCA, Northeast Metro Voke and more
- Community organizations that partner with MPS also receive education grants for programs serving Malden students (**43.8%**)
- Malden Public Schools received **31.9%** of all education grants

State Grants: City of Malden			
	Total (2019-2024)	Total to Education	Total to MPS
Amount	\$13,257,552.42	\$2,783,926.00	\$3,418,536.00
Percentage	100.00%	21.00%	25.79%

Table 2: Breakdown/Distribution of state grants received by City (2019-2024)

State Grants Received by MPS

Malden Public Schools



- **25.8%** of all grants received by the City of Malden went to Malden Public Schools
- **21%** of all grants received by the City of Malden went to Education purposes

Malden Public Schools	
Funding Category	Amount Total (\$)
Education	\$2,142,794.00
Equipment/Operations	\$418,424.00
Public Health	\$710,242.00
Workforce Development	\$147,076.00
TOTAL	\$3,418,536.00

Chart 1/Table 3: All grants received by MPS (2019-2024)

State Grants Received by MPS: Details

Year	Description	Amount
2019	FY20 McKinney-Vento Grant	\$10,000.00
2019	Safer Schools and Communities Initiative	\$60,000.00
2020	ADL's World of Difference program	\$35,822.00
2020	FY21 Remote Learning Technology Essentials	\$208,409.00
2020	\$84,585 for Forestdale school boiler replacement	\$150,015.00
	\$72,000 for Beebe School boiler replacement	
	\$8,780 for ELC weatherization	
2020	Food Security Infrastructure Grant	\$110,309.00
2021	Expanded Learning Time Grants	\$803,946.00
2021	Coronavirus prevention and resources for schools	\$419,875.00
2021	Influence 100 Grants	\$2,000.00
2021	Teacher Diversification Pilot Program	\$46,889.00
2022	CPPI Grant	\$50,000.00
2022	Civics Teaching and Learning Grant	\$45,000.00
2022	SEL & Mental Health Grant	\$180,058.00

State Grants Received by MPS: Details (Cont.)

Year	Description	Amount
2022	Early College Planning Grant	\$41,922.00
2022	Proficiency-based Outcomes in Languages Other than English Grant	\$33,200.00
2022	Teacher Diversification Pilot Program	\$98,187.00
2022	Early Grades Literacy Grant	\$99,850.00
2022	Hate Crime Prevention Grants	\$49,710.00
2023	CPPI Grant	\$750,000.00
2023	Proficiency-based Outcomes in Languages Other than English Grant	\$28,260.00
2023	Early Literacy Universal Screening Assessment Grant	\$30,000.00
2023	Supporting Arts & Cultural Vitality Teams Grant	\$5,225.00
2023	Hate Crime Prevention Grant	\$49,500.00
2023	Genocide Education Grant	\$55,490.00
2024	Massachusetts Literacy Institute Grant	\$8,100.00
2024	Genocide Education Grant	\$40,069.00
2024	Investigating History Expansion Grant	\$6,700.00
	Total:	\$3,418,536.00

How Does The Chapter 70 Formula Work?

Step 1 Calculate Foundation Budget

An adequate funding level for each school district given the specific enrollment and demographic characteristics of each district

Step 2 Calculate Local Contribution

The share of the foundation budget that must be contributed from each city or town's local revenues, based upon the relative wealth of that community

Step 3 Calculate State Chapter 70 Aid

Makes up the difference between the foundation budget and the local contribution

Problem With The Local Contribution Side Of The Chapter 70 Formula That Is Impacting Malden

The local contribution side of the Chapter 70 formula is inaccurately and unfairly calculating ability to pay for municipalities that are not subject to the 82.5% cap

- The formula requires 59% of the total statewide foundation budget to be funded by local municipalities and 41% to be funded by the state
- The problem is caused by the combination of increasing foundation budgets as the SOA is implemented and an increasing number of municipalities that are subject to the 82.5% cap
 - Since 2008 the number of municipalities subject to the cap has grown from 109 to 168, and the amount of “capped dollars” has grown from \$800 million to \$2.7 billion
 - Capped dollars do not count in the calculation of the 59% municipal contribution toward the total statewide foundation budget
- As a result, the formula is driving up Local Contributions for municipalities that are not subject to the cap faster than their actual growth in ability to pay

Conclusion Of DESE/DOR Local Contribution Study

“The current cap on the local contribution requirement (82.5% of foundation budget) is proving problematic in two respects. First, the increasing number of communities subject to the cap undercuts the equity goal that the target contribution calculation seeks to meet. Second, the current cap in conjunction with the significant increases to foundation budgets envisioned by the SOA may result in significant and unevenly distributed increases in the local contribution requirements for communities not subject to the cap.”

*Local Contribution Study was submitted by the Department of Elementary and Secondary Education and the Division of Local Services pursuant to Section 21 of Chapter 132 of the Acts of 2019 (Student Opportunity Act) in December 2020.

Impact On Malden's Target And Required Local Share

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Target Local Share	48.2%	48.4%	51.7%	53.8%	56.6%	57.9%	55.8%	56.2%
Required Local Share	44.5%	45.6%	46.1%	48.0%	48.9%	48.7%	46.27%	47.5%

Possible Solutions That We Have Identified

Idea	Pros	Cons
1. Increase the state share of the total Foundation Budget (Senator Lewis' bill SD.987) and/or delink the CEY calculation from the fixed 59/41 split	Relatively easy to explain and implement	Could require large increase in state funding; not a targeted solution
2. Create a new pothole account to provide additional Chapter 70 aid to eligible municipalities	Targeted solution and thus less costly; can be flexibly designed	May be difficult to determine/gain consensus on eligibility criteria
3. Revise the calculation of MRGF	Potentially more accurately reflect local revenue growth	May be difficult to reach consensus on changes

Possible Solutions That We Have Identified (cont.)

Idea	Pros	Cons
4. Pause Below Effort Increment in the formula	Easy to implement; directly addresses problem in the short-term	Gap between target and required local contributions will grow wider over time
5. Make changes to the 82.5% cap (for example, could create multiple tiers)	Would make formula better reflect local fiscal capacity; drive more Chapter 70 aid to uncapped municipalities	May be politically difficult to implement
6. Consider other changes to the Chapter 70 formula (for example, how CEY is calculated, how enrollment changes are calculated, etc.)	TBD depending on specific change	TBD depending on specific change

FY25 Budget Outlook

- Increases in Chapter 70 state aid for FY25 are much smaller than in FY24 for almost all communities
 - Mostly due to the much lower rate of inflation (1.35%)
 - Chapter 70 formula uses a state and local government price deflator based on Bureau of Economic Analysis data
 - 212 communities are receiving minimum aid (\$30 per pupil) in the Governor's proposed FY25 budget
- Malden's Chapter 70 aid increases by \$618,000 to a total of \$63.8 million

Amendments Filed for the FY25 Budget

Title	Description	Amount Requested	Municipalities Affected
Extraordinary Relief Pothole Account	Create a pothole fund for Gateway Cities whose required local contribution exceeds 30% of total available revenue. Any available funds under this pothole account would be offset by the city's excess levy capacity or additional property tax the community could levy under its Prop 2 ½ levy limit	\$18 million	4
Limit Below Effort to 1%	Allow municipalities that pay a 2% below effort increment to pay a 1% below effort increment, cutting their below effort increment in half.	\$5 million	57
Pause Below Effort	Pause the below effort increments for FY25 for all 1% and 2% municipalities	\$27 million	235
Required Contribution Working Group	Convene a working group of administration officials from EOE, DOR, and DESE, legislators, municipal leaders, and outside stakeholder groups to study and develop recommendations for legislative changes to the required local contribution side of the Chapter 70 formula. No cost associated.	\$0	All
Inflation Cap	Fix the formula so that inflation value lost to the 4.5 inflation cap one year would automatically be added back to the foundation budget in the following year, when inflation is below the cap.	~\$465 million	All

Efforts To Date And Next Steps

Since Spring 2021	Malden delegation has worked with City (Ron Hogan, Toni Mertz) and various experts (DESE, DOR, others) to better understand impacts of Required Local Contribution for Malden and similar communities
November 2022	Met with Mayor Christenson and other city leaders to discuss how to proceed, including the opportunity to partner with the City of Salem
December 2022	Met with Salem Mayor (and now Lieutenant Governor) Kim Driscoll, Mayor Christenson, Senator Joan Lovely and others to discuss the possible solutions that we have identified
January 2023	Filed legislation to increase the state share of the total Foundation Budget (SD987)

Efforts To Date And Next Steps (cont.)

January 2023	Proposed creating a Chapter 70 expert Working Group to Education Secretary Patrick Tutwiler, in order to develop consensus recommendations that could then be implemented by the legislature
February 2024	Malden delegation met with EOE Assistant Secretary Tom Moreau along with Mayor Christenson, Ron Hogan, Toni Mertz, and Jen Spadafora
March 2024	Met with Senate Ways and Means Chair Michael Rodrigues to advocate for solutions in the FY25 budget
Going Forward	Malden delegation is pursuing multiple near-term (FY25 budget) and longer-term strategies, including pausing or modifying Below Effort in the Chapter 70 formula, creating a Chapter 70 pothole account, and establishing a special legislative Commission or expert Working Group

Appendix

Summary Of Chapter 70 Calculations For Malden

	FY22	FY23	FY24	FY25
Enrollment	6,921	6,803	6,940	6,863
Foundation Budget	\$97,816,216	\$105,452,144	\$117,616,659	\$121,461,102
Chapter 70 State Aid	\$51,413,853	\$54,074,627	\$63,196,977	\$63,814,622
Required Local Contribution	\$47,782,256	\$51,377,517	\$54,419,682	\$57,646,480

Key Provisions Of The Student Opportunity Act

- **Revised Chapter 70 foundation budget calculations in several areas to ensure more adequate and equitable funding for school districts across the state**
 - Employee and retiree healthcare benefits
 - Special education
 - English learners
 - Mental health services
 - Low-income students, especially in communities with concentrated poverty (also revised the process for accurately counting low-income students)
- **Provided additional state funding and supports for local school districts**
 - Full funding of charter tuition reimbursements
 - Included out-of-district transportation costs in the Special Education Circuit Breaker
 - Lifted the annual cap for the MSBA to increase the number of school building projects that can be accepted into the program each year

Key Provisions Of The Student Opportunity Act (cont.)

- **Implemented new policies designed to maximize the impact of funding increases in closing opportunity gaps and improving student outcomes**
 - Required school districts to develop and make publicly available SOA plans
 - Created a new 21st Century Trust Fund to support innovation in teaching and learning
 - Established a permanent Data Advisory Commission to improve the use of data at school, district, and statewide levels
- **Identified policy areas requiring further study and analysis**
 - Established a rural schools commission to make recommendations for addressing the unique challenges faced by rural and regional school districts
 - Directed DESE to report on accurate costs for educating students at recovery high schools
 - Directed MSBA to report on the need for updates to the school building program
 - Directed DESE and DOR to analyze and make recommendations for potential changes to the local contribution side of the Chapter 70 formula

Key Concepts Used In The Chapter 70 Formula Related to Local Contribution

Required Local Contribution (RLC): dollar amount calculated annually that each municipality must contribute toward its Foundation Budget; calculated by adjusting the Preliminary Local Contribution up or down depending on the gap between the Preliminary Local Contribution and the Target Local Contribution for each municipality

Preliminary Local Contribution: the Required Local Contribution from the previous fiscal year, adjusted upward by the Municipal Revenue Growth Factor (MRGF) for each municipality

Target Local Contribution (or Target Local Share): what the formula calculates that each municipality can afford to contribute from its own resources toward its Foundation Budget; calculated based on Combined Effort Yield, subject to the Cap if applicable

Municipal Revenue Growth Factor (MRGF): calculated annually for each municipality by DOR/DLS; intended to reflect the estimated annual growth in local revenue and, therefore, the municipality's capacity to increase its Required Local Contribution

Key Concepts Used In The Chapter 70 Formula Related to Local Contribution (cont.)

Combined Effort Yield (CEY): used to calculate each municipality's Target Local Contribution; based upon property values (EQV) and aggregate income in each municipality; adopted in the formula as part of the FY07 reforms

Cap: no municipality is required to contribute more than 82.5% of its foundation budget, even if the Combined Effort Yield indicates that the municipality could afford to contribute a greater amount; ensures that even the wealthiest municipalities get at least 17.5% of their foundation budget in Chapter 70 aid; adopted in the formula as part of the FY07 reforms

Below Effort Increment: a 1% or 2% increase to the Preliminary Local Contribution (as a % of the foundation budget) in order to calculate the Required Local Contribution, depending on how far the Preliminary Local Contribution is below the Target Local Contribution

Malden's NSS Detail

Select a district

0165 Malden

	Foundation Enrollment		Foundation Budget		Chapter 70 Aid			Required Net School Spending		Required NSS		Actual NSS		Dollars	
	Enrollment	% Chg	Budget	% Chg	Required Local Contribution	Reflects Penalties, where applicable	% Chg	Aid + Local Contribution	Required NSS Includes Carryover	% Chg	Actual NSS	% Chg	Over/Under Requirement	% Over/Under	
FY08	6,709	0.8%	62,297,085	6.7%	24,505,538	37,791,547	8.4%	62,297,085	62,297,085	6.7%	68,743,768	6.5%	6,446,683	10.3%	
FY09	6,798	1.3%	66,974,104	7.5%	25,736,533	36,900,852	-2.4%	66,974,104	62,637,385	0.5%	69,811,147	1.6%	7,173,762	11.5%	
FY10	6,883	1.3%	70,256,110	4.9%	28,341,018	40,412,820	9.5%	68,753,838	68,753,838	9.8%	70,894,850	1.6%	2,141,012	3.1%	
FY11	6,867	-0.2%	69,445,050	-1.2%	29,256,886	39,466,415	-2.3%	68,723,301	68,723,301	0.0%	70,516,069	-0.5%	1,792,768	2.6%	
FY12	7,145	4.0%	74,002,031	6.6%	29,910,919	44,091,112	11.7%	74,002,031	74,002,031	7.7%	72,397,596	2.7%	-1,604,435	-2.2%	
FY13	7,207	0.9%	78,173,570	5.6%	31,406,125	46,767,445	6.1%	78,173,570	79,778,005	7.8%	77,203,964	6.6%	-2,574,040	-3.2%	
FY14	7,253	0.6%	79,552,183	1.8%	32,589,651	46,962,532	0.4%	79,552,183	82,126,223	2.9%	81,194,121	5.2%	-932,103	-1.1%	
FY15	7,309	0.8%	80,737,954	1.5%	34,410,984	47,246,321	0.6%	81,657,305	82,589,408	0.6%	83,645,850	3.0%	1,056,442	1.3%	
FY16	7,395	1.2%	84,059,176	4.1%	35,620,417	48,438,759	2.5%	84,059,176	84,059,176	1.8%	85,884,085	2.7%	1,824,909	2.2%	
FY17	7,412	0.2%	84,148,786	0.1%	37,450,081	48,846,419	0.8%	86,296,500	86,296,500	2.7%	89,944,849	4.7%	3,648,349	4.2%	
FY18	7,529	1.6%	87,320,752	3.8%	38,872,647	49,072,289	0.5%	87,944,936	87,944,936	1.9%	92,260,445	2.6%	4,315,509	4.9%	
FY19	7,516	-0.2%	90,460,805	3.6%	41,267,281	49,297,769	0.5%	90,565,050	90,565,050	3.0%	94,132,321	2.0%	3,567,271	3.9%	
FY20	7,451	-0.9%	95,060,967	5.1%	43,854,744	51,206,223	3.9%	95,060,967	95,060,967	5.0%	97,506,197	3.6%	2,445,230	2.6%	
FY21	7,268	-2.5%	94,879,630	-0.2%	45,560,692	51,206,223	0.0%	96,766,915	96,766,915	1.8%	98,814,892	1.3%	2,047,977	2.1%	
FY22*	6,921	-4.8%	97,816,216	3.1%	47,782,256	51,413,853	0.4%	99,196,109	99,196,109	2.5%	100,122,990	1.3%	926,881	0.9%	