

EDUCATION

FUNDING EDUCATION Required and Target Contributions

Malden Analysis & Budget Impact

Malden City Council

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Desired Outcome

- Understanding of the unique situation Malden is in as compared to similar communities
- Lay a foundation for what should be expected this year and future years for budget challenges
- Encourage collaboration and idea generation on different ways to solve the challenges ahead

Gateway Cities & Education

- Well served by updates to the foundation budget formulas
 - Provides a more accurate approach to the cost of educating diverse student populations
- Continues to utilize the same formula for cost sharing of the updated foundation budget
 - Out of scope for Student Opportunity Act
 - Ability to pay driven by two factors; Equalized Value (EQV) and Total Income
- This simplistic formula leaves similar communities in a vastly different positions financially

Three Key Terms

REQUIRED NET SCHOOL SPENDING (NSS)

An amount calculated annually by DESE that Malden must spend on education costs; includes direct costs, indirect costs, charter and voke tuitions etc. Does NOT include amounts spent on capital related costs (school building etc)

REQUIRED CONTRIBUTION

The portion of NSS that Malden is responsible for funding in the current year.
Calculated by DESE for each city/town using EQV and Income factors

TARGET CONTRIBUTION

The portion of NSS that the DESE formulas determine Malden SHOULD be able to fund; The formulas are designed to increment toward this number over time

Comparisons- Three Key Metrics

- **Tax Revenue as a % of Assessed Value**
 - Yield on property value
- **Required & Target Contributions as a % of Available Revenue**
 - Available Revenue: All Tax Revenue + Local Receipts + Non-Education State Aid
- **Remaining Funds Per Capital Approach After Required Education Funding**
 - Generally, the population being served drives the cost of services

24 In Tax Revenue as a % of Value

FY2024 Data

Municipality	Maximum Levy Limit	Total Tax Levy	Override Capacity as a % of Levy Ceiling	Total Assessed Value	Tax Levy as % of Assessed Value
Barnstable	\$ 145,996,544	\$ 145,242,793	77%	\$ 24,524,518,817	0.590%
Revere	\$ 113,715,482	\$ 113,707,377	59%	\$ 10,994,858,679	1.030%
Malden	\$ 109,325,449	\$ 109,264,402	58%	\$ 10,505,789,000	1.040%
Peabody	\$ 140,873,454	\$ 122,510,800	51%	\$ 11,386,051,494	1.080%
Lawrence	\$ 97,589,770	\$ 84,455,743	49%	\$ 7,629,261,062	1.110%
Lynn	\$ 161,187,834	\$ 161,151,604	54%	\$ 13,975,076,000	1.150%
Haverhill	\$ 129,566,432	\$ 123,093,875	51%	\$ 10,497,584,042	1.170%
Methuen	\$ 108,991,277	\$ 108,331,374	52%	\$ 9,028,341,715	1.200%
Quincy	\$ 328,215,357	\$ 290,892,948	42%	\$ 22,680,112,532	1.280%
Lowell	\$ 184,920,460	\$ 172,422,044	43%	\$ 12,957,100,095	1.330%
Salem	\$ 125,749,807	\$ 117,433,650	42%	\$ 8,675,689,947	1.350%
Attleboro	\$ 96,628,164	\$ 96,612,078	50%	\$ 7,086,432,072	1.360%
Brockton	\$ 173,245,070	\$ 173,187,607	45%	\$ 12,601,493,444	1.370%
Chelsea	\$ 79,219,207	\$ 79,155,027	45%	\$ 5,778,945,892	1.370%
Everett	\$ 172,197,362	\$ 110,509,989	15%	\$ 8,057,645,573	1.370%
Fall River	\$ 135,767,827	\$ 133,158,722	46%	\$ 9,734,326,731	1.370%
Taunton	\$ 128,129,090	\$ 128,107,901	44%	\$ 9,114,552,753	1.410%
New Bedford	\$ 157,307,008	\$ 152,551,213	40%	\$ 10,574,289,999	1.440%
Leominster	\$ 93,446,959	\$ 87,031,610	38%	\$ 5,998,043,425	1.450%
Fitchburg	\$ 65,395,698	\$ 65,387,686	41%	\$ 4,415,103,714	1.480%
Worcester	\$ 405,536,919	\$ 381,789,495	27%	\$ 22,228,700,212	1.720%
Chicopee	\$ 110,483,923	\$ 101,680,517	21%	\$ 5,598,542,263	1.820%
Westfield	\$ 97,398,336	\$ 88,367,933	18%	\$ 4,729,795,432	1.870%
Springfield	\$ 265,112,017	\$ 256,048,299	15%	\$ 12,548,427,300	2.040%
Pittsfield	\$ 109,992,764	\$ 109,166,941	9%	\$ 4,822,885,672	2.260%
Holyoke	\$ 64,786,904	\$ 63,087,897	2%	\$ 2,651,077,152	2.380%

Required/Target Contrib. As a % of Available Revenue (FY23 Data)

City/Town	Required Local Contribution as % of Avail Revenue	Target Local Contribution as % of Avail Revenue
Malden	35.76%	43.82%
Peabody	35.41%	41.86%
Attleboro	34.92%	36.71%
Quincy	33.10%	36.05%
Methuen	32.13%	37.30%
Barnstable	31.57%	36.35%
Leominster	31.03%	33.22%
Haverhill	30.62%	37.92%
Lynn	27.86%	33.72%
Revere	27.72%	34.95%
Salem	27.26%	32.13%
Westfield	26.58%	27.95%
Average Gateway	24.37%	29.98%
Worcester	24.16%	26.75%
Pittsfield	23.99%	25.51%
Brockton	23.97%	30.86%
Everett	23.67%	26.19%
Taunton	22.71%	26.47%
Lowell	22.42%	28.97%
Fitchburg	22.28%	26.83%
Chicopee	20.53%	21.78%
Fall River	19.44%	26.44%
Chelsea	17.01%	23.64%
New Bedford	15.28%	24.15%
Holyoke	13.45%	22.85%
Springfield	12.00%	19.87%
Lawrence	9.53%	31.25%

Gateway Community Rankings Available Per Capita (FY23 Data)

City/Town	Required Local Remaining Funds Per Capita	Target Local Remaining Funds Per Capita
Lawrence	\$ 1,395	\$ 1,060
Malden	\$ 1,418	\$ 1,240
Lynn	\$ 1,485	\$ 1,364
Brockton	\$ 1,570	\$ 1,427
Haverhill	\$ 1,595	\$ 1,427
Fall River	\$ 1,603	\$ 1,464
Attleboro	\$ 1,661	\$ 1,615
Methuen	\$ 1,709	\$ 1,578
Leominster	\$ 1,713	\$ 1,658
Fitchburg	\$ 1,720	\$ 1,619
Lowell	\$ 1,727	\$ 1,582
Worcester	\$ 1,743	\$ 1,683
Peabody	\$ 1,781	\$ 1,603
Revere	\$ 1,810	\$ 1,629
Average Gateway	\$ 1,867	\$ 1,729
New Bedford	\$ 1,884	\$ 1,687
Holyoke	\$ 2,009	\$ 1,791
Westfield	\$ 2,055	\$ 2,017
Springfield	\$ 2,119	\$ 1,930
Pittsfield	\$ 2,213	\$ 2,168
Quincy	\$ 2,227	\$ 2,129
Chicopee	\$ 2,252	\$ 2,217
Taunton	\$ 2,290	\$ 2,179
Salem	\$ 2,367	\$ 2,208
Barnstable	\$ 2,487	\$ 2,313
Everett	\$ 2,553	\$ 2,469
Chelsea	\$ 2,570	\$ 2,365

Putting it in Perspective

If Malden simply had the average of all Gateway cities 'leftover' to provide other government services, we would have **\$30 Million additional** over what we have today to provide local services and fund education beyond NSS

FY2023 Comparisons

(Last completed fiscal year)

	Malden	Revere	Everett	Chelsea	Salem
Population	65,074	59,075	48,557	38,889	44,819
Enrollment	6,803	7,735	7,437	7,089	4,139
Available Revenue	\$143,666,285	\$147,955,477	\$162,399,855	\$120,432,559	\$145,815,256
Required Contribution	\$51,377,517	\$41,009,518	\$38,446,657	\$20,484,593	\$39,750,153
Target Contribution	\$62,961,000	\$51,712,000	\$42,532,000	\$28,466,000	\$46,845,000

Changes from FY20 to FY25

Analysis using FY20 as a baseline as that's prior to the start of the SOA implementation.

	Malden	Revere	Everett	Lynn	Chelsea
Increase in Chapter 70 Aid	\$12,608,000	\$32,373,000	\$42,867,000	\$101,315,000	\$41,309,000
Increase in Required Local Contribution	\$14,655,000	\$14,234,000	\$13,122,000	\$12,234,000	\$5,181,000

It Will Get Worse

If preliminary contribution is below the target share:

21) Shortfall from target local share (10 - 15)	12,161,858
22) Shortfall percentage (11 - 16)	9.67%
23) Added increment toward target (13 x 1% or 2%)*	1,122,236
*1% if shortfall is between 2.5% and 7.5%; 2% if shortfall > 7.5%	
24) Special increment toward 82.5% target**	0

***if combined effort yield > 175% foundation*

Combined effort yield as % of foundation

25) Shortfall from target after adding increments (10 - 15 - 23 - 24)	11,039,622
26) FY25 required local contribution (15 + 23 + 24)	59,663,667
27) Contribution as percentage of foundation (26 / 8)	47.46%

What Are We Doing

- Drafted proposed legislation for a pothole account that our state delegation is going to propose during the budget

For a reserve to provide extraordinary relief to districts in gateway municipalities, as defined in section 3A of chapter 23A of the general laws; provided, that funds under this item shall only be provided to gateway municipalities whose required local contribution for fiscal year 2023, as defined in section 2 of chapter 70 of the general laws, exceeds 30 per cent of the total revenue available for fiscal year 2023, which shall include unrestricted general government aid, real and personal property taxes, and local receipts; provided, further that the difference between 30% per cent of total revenue available and the required local contribution shall be offset by the amount a municipality has available under the tax levy limitation, set forth in section 21C of chapter 59 of the general laws.

- Met with Executive Office on Education with our delegation to discuss the challenge and solutions
- Meeting March 13th with the Lt. Governor to discuss the challenge and potential fixes
- Meeting with department heads to get everyone on board with understanding the challenges ahead

FY25 Budget Highlights

- **FY24 budget used \$5.6 million in one-time funds to balance**
 - \$3.0 million in free cash to fund general fund budget
 - \$2.6 million in ARPA funds to fund required school contribution
- **FY25 health costs: Harvard recommended 18.5% increase**
 - That would equate to a \$4.2 million Increase
 - Currently analyzing the Trust to look for ways to reduce this
- **Pension schedule scheduled to increase \$702k**
 - Currently reviewing extension options to funding schedule to reduce this impact
- **Voke building project increase \$480,000**
 - Will increase an additional \$480k next year

FY25 Budget Highlights Continued

- Union contract costs escalating beyond historical rates
 - Wage growth across the board responsive to inflationary environment
 - The days of the 2% raise are over
- Cannabis revenue estimated at about \$425,000 for the full year
 - Community impact fee revenue unlikely to be collectible due to law changes; loss of \$425k in expected revenue
- Investment earnings revenue strong due to rate environment
 - Unlikely to be long term as Fed begins rate cuts
- We've retained some ARPA funds to help as we transition to a sustainable model

Takeaways

- Absent any changes to the formulas, the required education funding will have an outsized impact on everything financial in the years to come
- Health insurance will need a fresh look for options to bring costs under control
- Everyone from employees to residents needs to understand why our situation is different than neighboring cities
- Future challenges at the state level that trickle down will only compound our challenges
- If we don't start making difficult decisions now, the scale of the gap will grow to a level impossible to resolve