

EDUCATION

COSTS

**Required Local Contribution for
Education Funding
and
Funding Other City Services**

City of Malden
October 26, 2021

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Chief Strategy and Innovation Officer

Why Can't We.....

- Provide trash services at no cost like other cities
- Fund police and fire staffing at levels similar to surrounding communities
- Provide additional resources for community needs like other cities that seem similar to us
- Invest more in parks, open space & the arts
- Provide funding for our schools beyond the baseline net school spending level
- Replace critical equipment for our Public Works department before it's falling apart
- Stay on top of building maintenance needs before they become a crisis

Local Contribution Funding

Disconnected from the True Ability to Pay

Expected Funding IS Tied to only Two Factors	Expected Funding Has No Connection To
Total Combined Income of Residents	ACTUAL Revenues of the City or Town
Total EQV (equalized value)	Population Being Served

D I S

C O N

N E C

T E D

Comparing Similar Cities

COMPARISONS

Three Gateway Cities
(Malden, Everett, Revere)

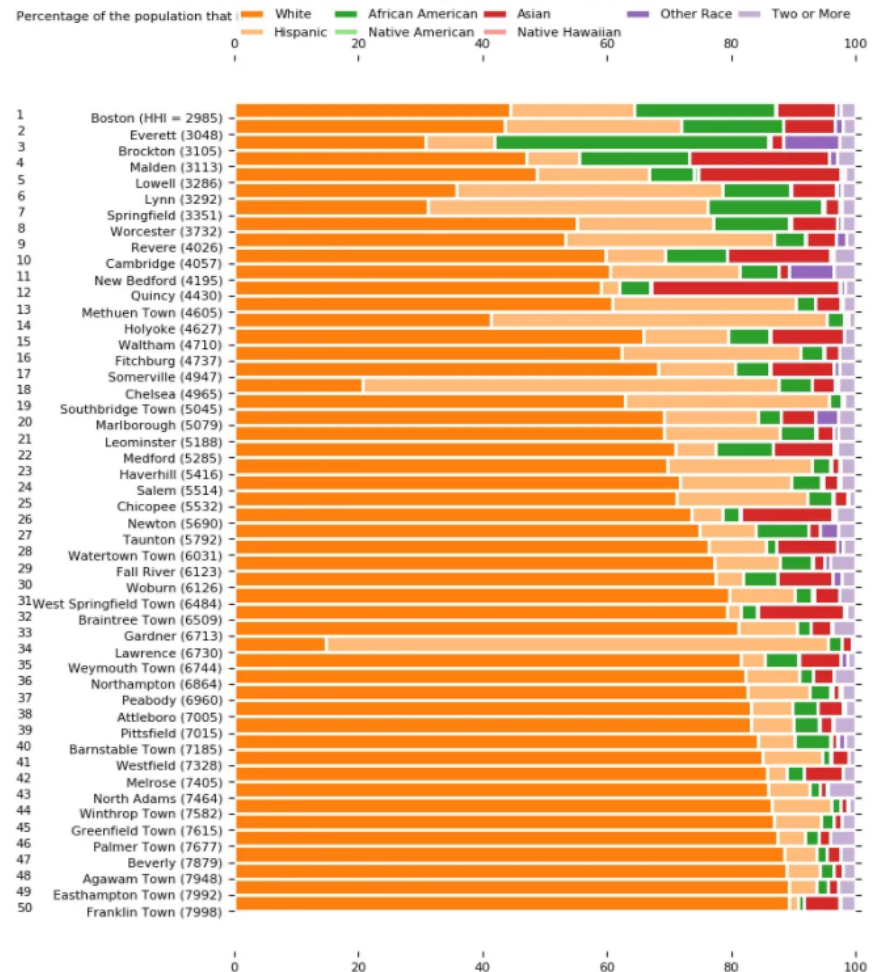
All amongst the top 10
diverse cities with
populations between 45k
and 61k

All have median household
incomes between \$55k and
\$65k

Additional analysis on
geographically close non-
gateway communities

Note: Data has been from Department of Education,
Department of Revenue, US Census and City budgets

Most Diverse Cities In Massachusetts



Funding Education Costs

SIMPLIFIED OVERVIEW OF EDUCATION FUNDING

Step 1- Determine Foundation Budget

A 'foundation budget' is calculated for each community by DESE; The intent is to determine the amount required to provide a quality education in every community taking into account data on students by grade and need. This was the focus of the Student Opportunity Act.

Step 2- A Community's "Ability to Pay" is Calculated

Using just two pieces of data (Total EQV and Total Income), DESE calculates the amount a community is expected to pay towards the foundation budget with a goal of about a 60/40 split statewide between local contributions and state aid. This is referred to as the Target Local Contribution.

Step 3- State Aid (Chapter 70) is provided to 'fill in the gap'

With some adjustments for 'phase ins' for communities above or below their 'target local contribution', Chapter 70 aid is provided to provide funding needed to fund the full foundation budget.

Target Local Contribution Vs. Required Local Contribution

Target Local Contribution

The amount the Chapter 70 formula determines a community can contribute towards education costs

Required Local Contribution

The amount required for the current fiscal year, which may be less than the target, as the formulas provide for gradual increases until the TARGET is met

FY2022 City of Malden

Target Local Contribution:	\$56.8 million
Required Local Contribution:	\$49.3 million

Required Local Contribution DESE Calculation Malden FY22

Massachusetts Department of Elementary and Secondary Education

Office of School Finance

FY22 Chapter 70 Determination of City and Town Total Required Contribution

165 Malden



Effort Goal

1) 2020 equalized valuation	9,209,316,800
2) Uniform property percentage	0.3311%
3) Local effort from property wealth	30,490,732
4) 2018 income	1,860,508,000
5) Uniform income percentage	1.4135%
6) Local effort from income	26,297,899
7) Combined effort yield (3 + 6)	56,788,631
8) FY22 Foundation budget	100,437,861
9) Maximum local contribution (82.5% * 8)	82,861,236
10) Target local contribution (lesser of 7 or 9)	56,788,631
11) Target local share (10 as % of 8)	56.54%
12) Target aid share (100% minus 11)	43.46%

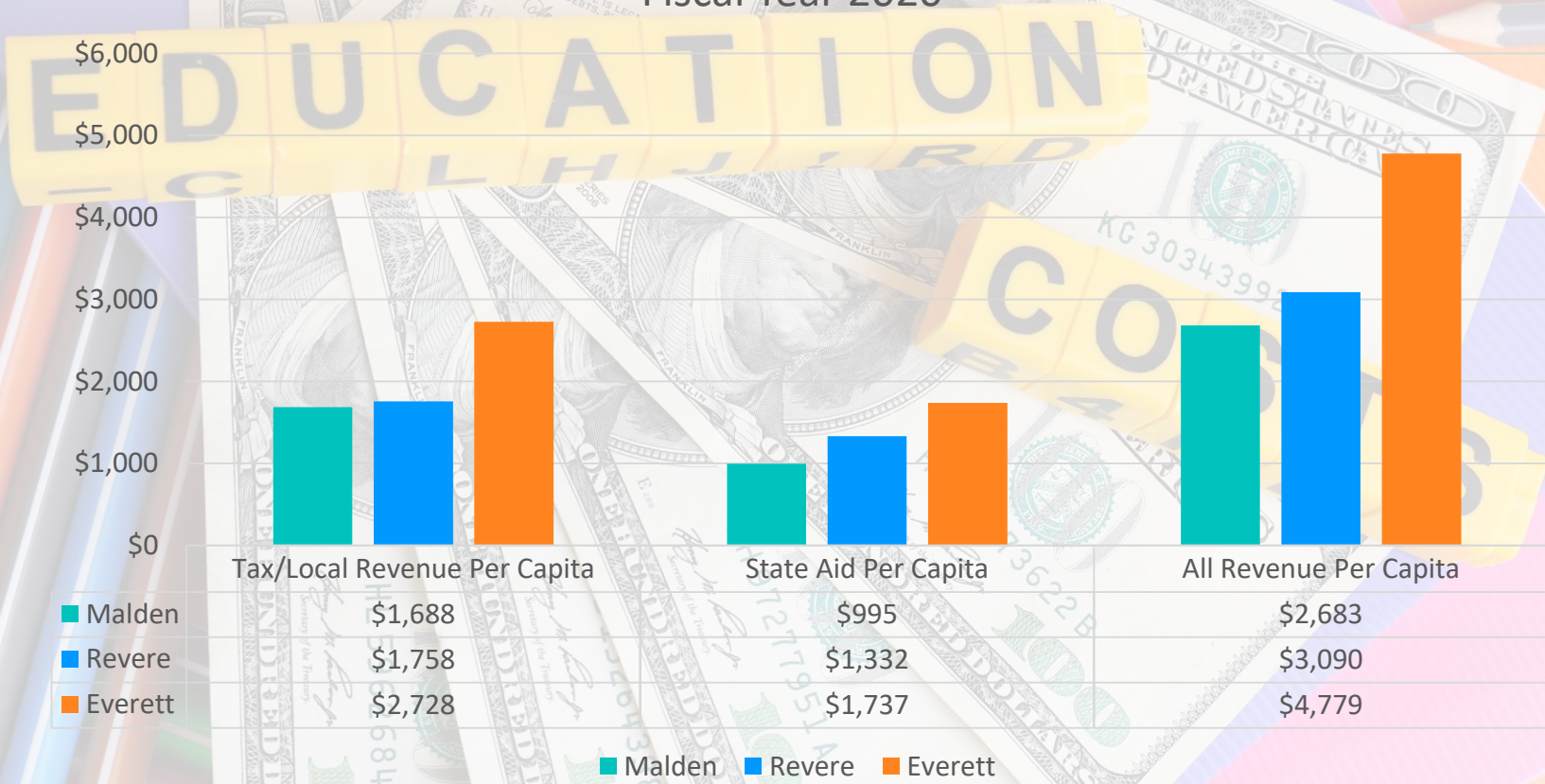
FY22 Increments Toward Goal

13) FY21 required local contribution	46,830,846
14) Municipal revenue growth factor (DOR)	3.20%
15) FY22 preliminary contribution (13 raised by 14)	48,329,433
16) Preliminary contribution pct of foundation (15 / 8)	48.12%
<i>If preliminary contribution is above the target share:</i>	
17) Excess local effort (15 - 10)	
18) 100% reduction toward target (17 x 100%)	
19) FY22 required local contribution (15 - 18), capped at 90% of foundation	
20) Contribution as percentage of foundation (19 / 8)	
<i>If preliminary contribution is below the target share:</i>	
21) Shortfall from target local share (10 - 15)	8,459,198
22) Shortfall percentage (11 - 16)	8.42%
23) Added increment toward target (13 x 1% or 2%)*	936,617
*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)	7,522,581
26) FY22 required local contribution (15 + 23 + 24)	49,266,050
27) Contribution as percentage of foundation (26 / 8)	49.05%

[See a listing of all 351 communities](#)

Revenue and Aid Per Capita

Fiscal Year 2020



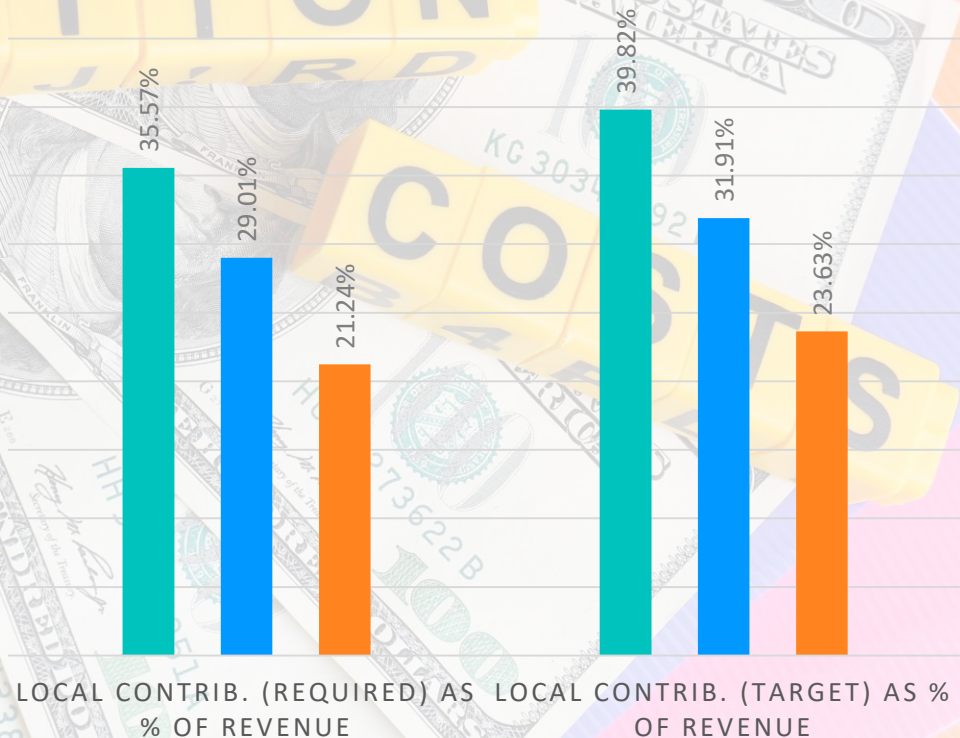
Required Education Contribution as a % of Revenue

Local Contribution

- Shown as a % of Revenue w/out Chapter 70 Aid.
- Required Local Contribution is less than Target as state phases in getting to target.
- For Malden, each 1% equals \$1.26 Million dollars.

FISCAL YEAR 2020

■ Malden ■ Revere ■ Everett



Required Local Contribution

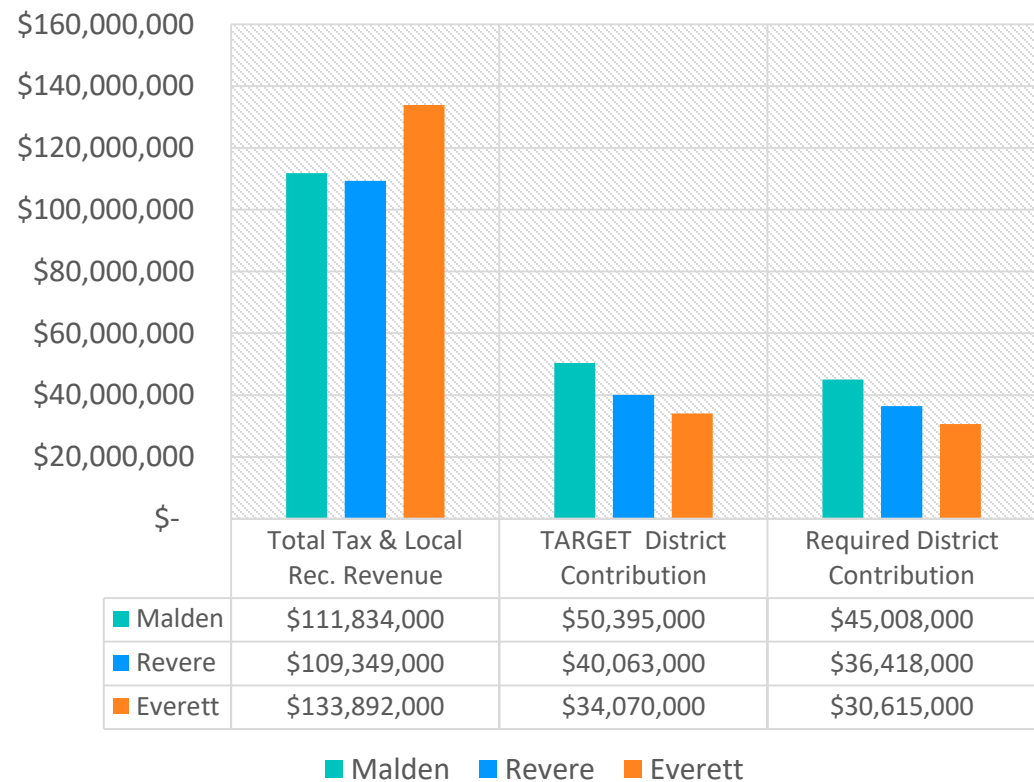
Lowest Revenue, Highest Expected Contribution
Disconnected From Revenue

Required Local Contribution

- Meant to determine what the city can 'afford' to pay toward education
- Relies upon two simple indicators: EQV and Total Income
- One might expect it to be proportion to tax and local revenue; but it's not
- Required district contributions will continue to grow until they reach the Target level (which increases annually).
- Despite having the **LOWEST** Tax and Local receipts, Malden has the **HIGHEST** required contribution

Fiscal Year 2020

Malden- Local Contribution



Per Capita Approach

Underlying Assumption: Population drives costs; Higher populations mean more police, more fire, more DPW and more local services

Total Revenues As Reported to DOR
(minus)

Required Education Spend per DESE
(divided by)

Population Per Census

=

Amount Per Capita to Deliver Non-Education Services

Funds Remaining For City Services

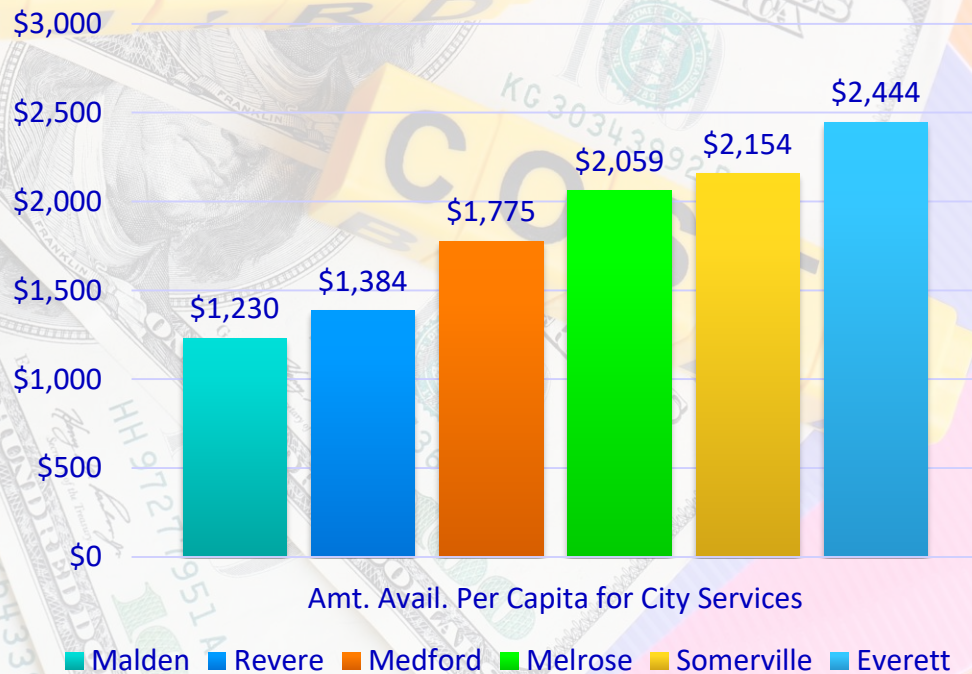
Area Cities

Other City Services

- Public Safety
- Public Works
- Health and Human Services
- General Government
- Culture and Recreation
- Fixed Costs (pensions, debt, health)
- Education support above Net School Spending
- Roads and Infrastructure

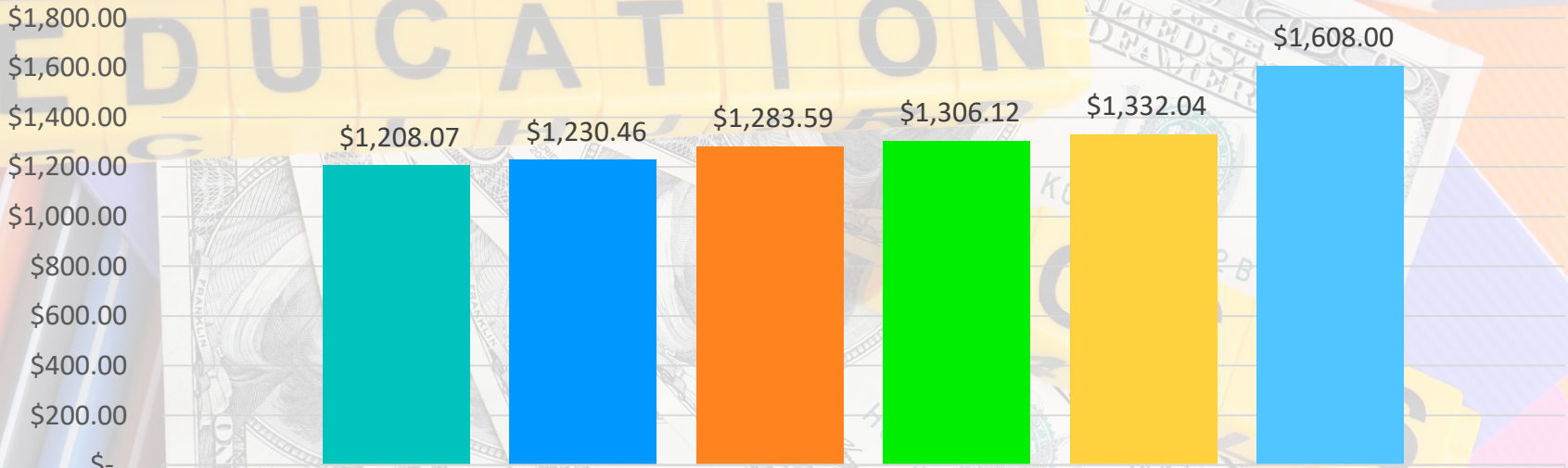
Funds Available Per Capita for Non Educational Services FY20

(At Required District Contribution)



Gateway Communities Bottom Five Available Per Capita (at req'd contribution)

Bottom Five Gateway Communities



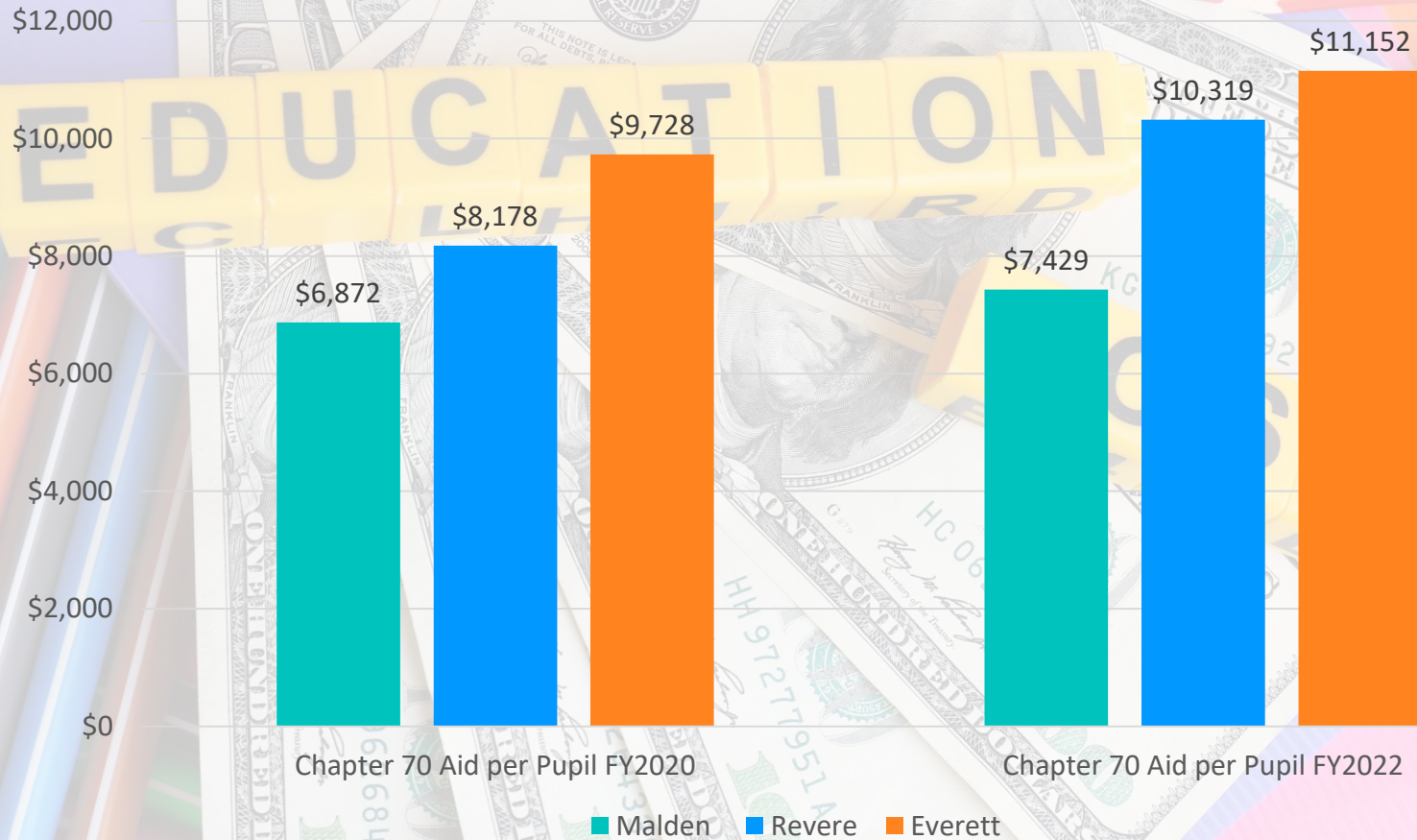
- Lawrence
- Malden
- Lowell
- Haverhill
- Lynn
- Average Gateway

Remaining Funds Per Capita	
Lawrence	\$1,208.07
Malden	\$1,230.46
Lowell	\$1,283.59
Haverhill	\$1,306.12
Lynn	\$1,332.04
Average Gateway	\$1,608.00

Lawrence Malden Lowell Haverhill Lynn Average Gateway

Chapter 70 Aid Per Pupil

FY2020 & FY2022



Changes from FY20 to FY22

Top 10 Diverse Communities Population under 100k

Analysis on prior slides was using FY20 as a baseline as that's the last fully completed fiscal year. From FY20 to FY22 Chapter 70 Aid for Malden has remained almost flat as compared to similar communities.

	Malden	Revere	Everett	Lynn	Brockton
Increase in Chapter 70 Aid	\$207,600	\$9,842,000	\$8,697,000	\$12,293,000	\$21,347,000
Student Count Change	-530	-225	-205	-442	-631
Increase in Chapter 70 Aid per Student	\$556	\$1,601	\$1,425	\$1,764	\$1,798

Next Steps

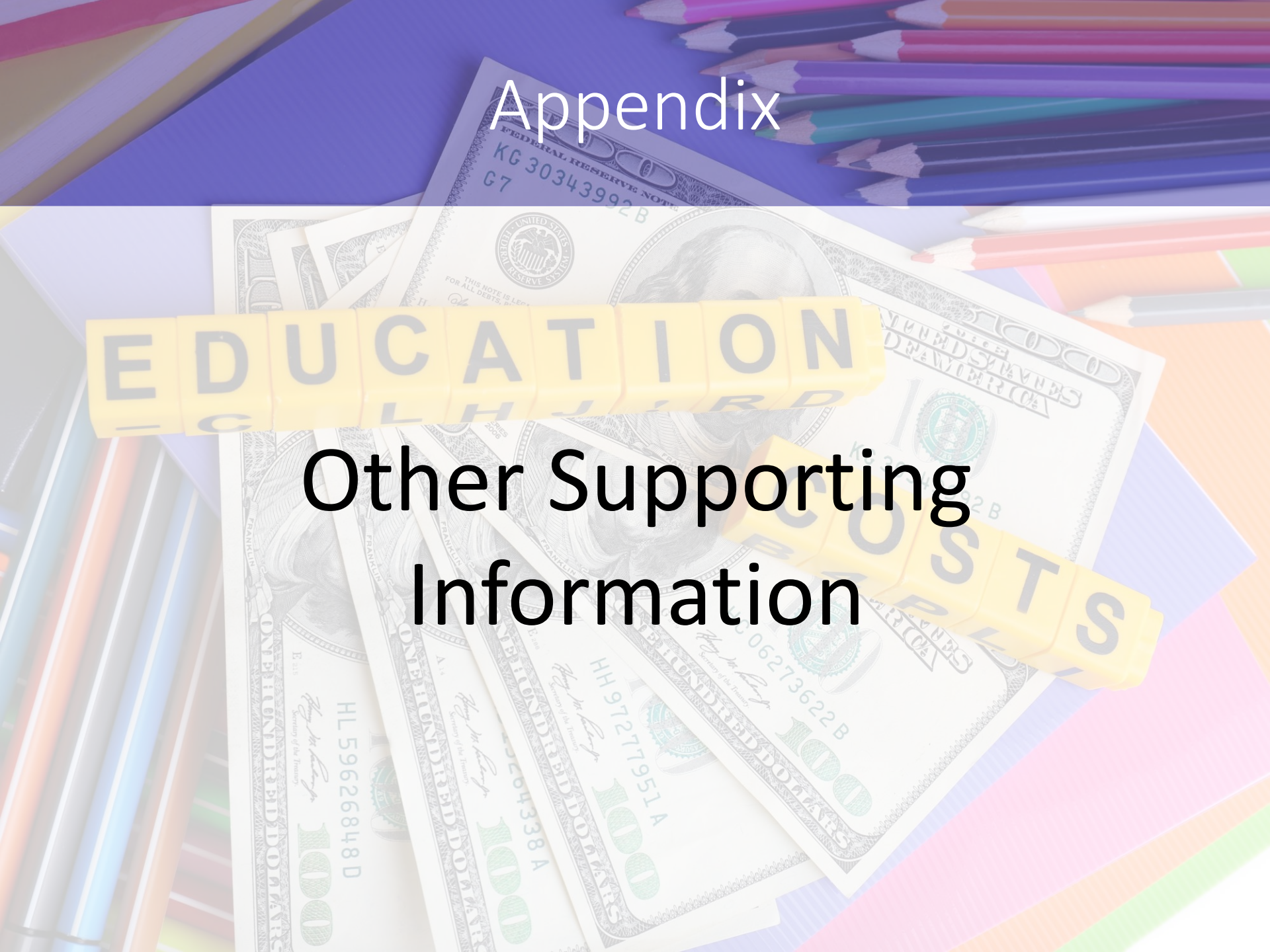
- Create awareness of the issue and the impact to Malden. Work with other impacted cities and their leaders.
- Dialogue and brainstorming with DOR and DESE regarding the challenges associated with the funding formulas.
- Collaboration with our state delegation on the issue and approaches to take to help address the disparity.

Appendix

EDUCATION

Other Supporting
Information

EXPENSES



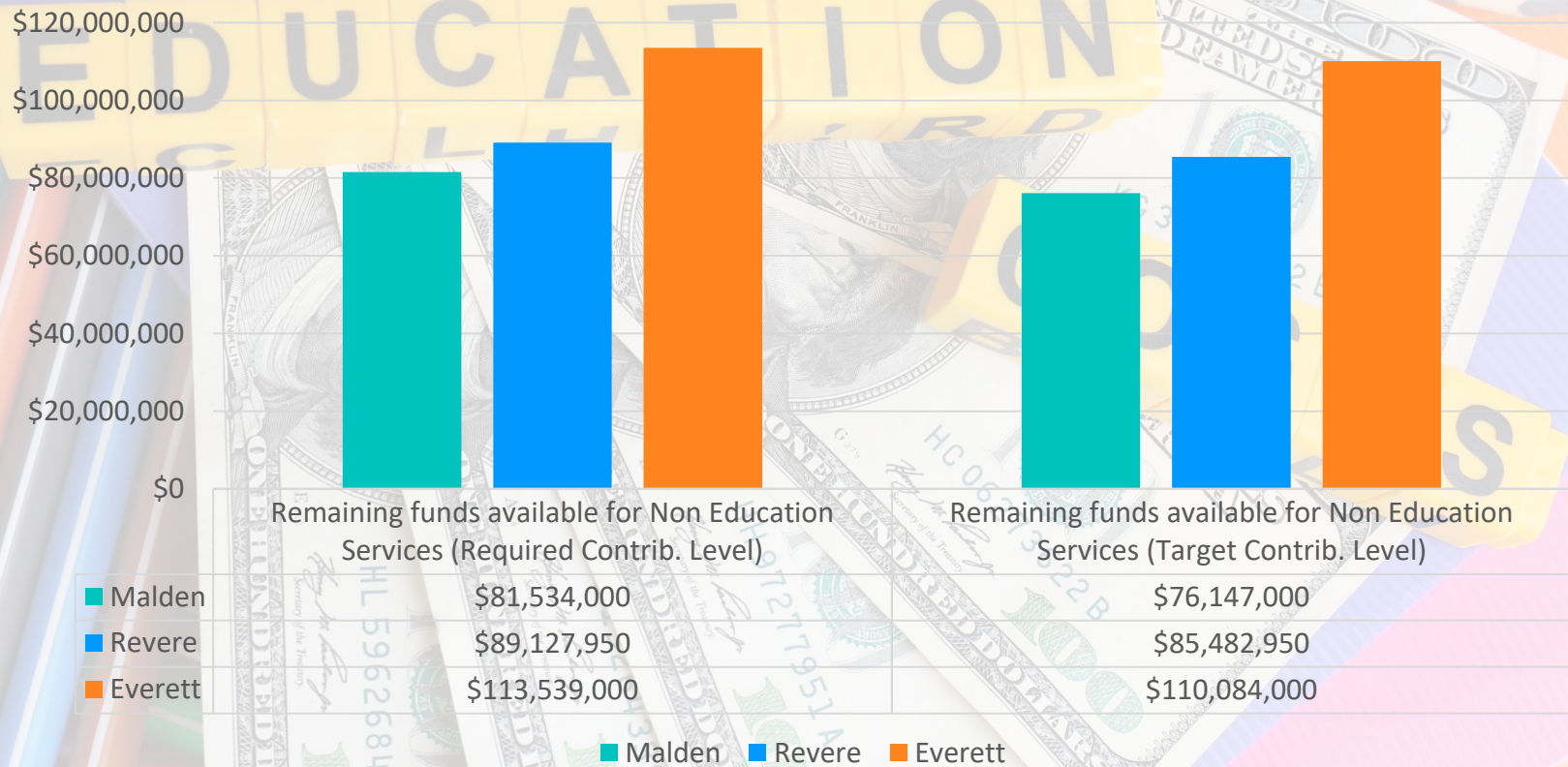
DISCLAIMER

Comparisons to other communities are displayed to show how Malden is being UNDERFUNDED. The comparisons therefore should not be interpreted as the author stating that these communities are being overfunded. The author in fact believes the funding for the comparison urban gateway communities better reflects the commitment needed from the State to fund education in a way that allows communities to still be able to fund other community services.

Funds Remaining for City Services

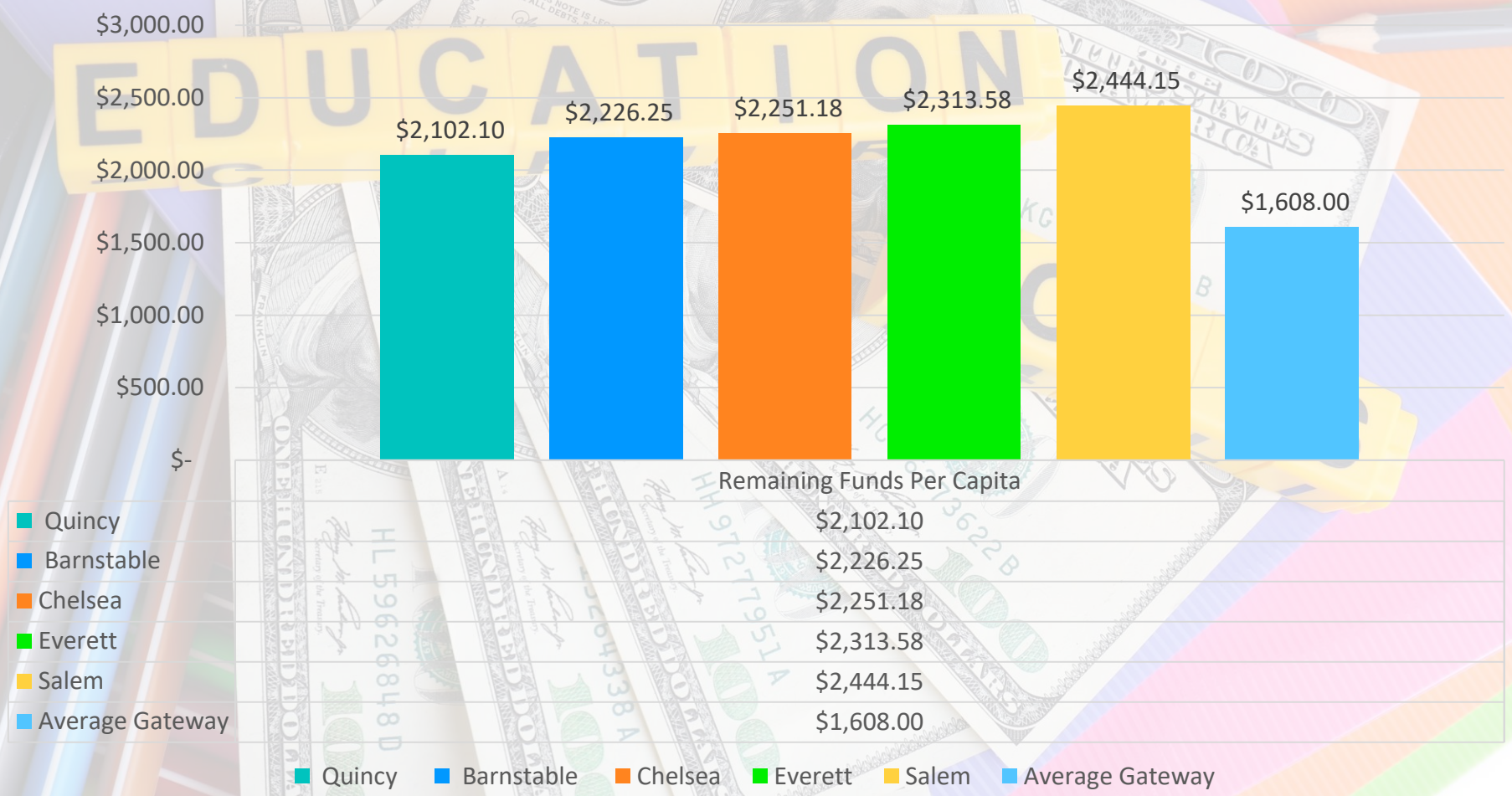
Gross Dollars

Fiscal Year 2020



Gateway Communities Top Five Available Per Capita (at req'd contribution)

Top Five Gateway Communities



Funds Remaining for City Services

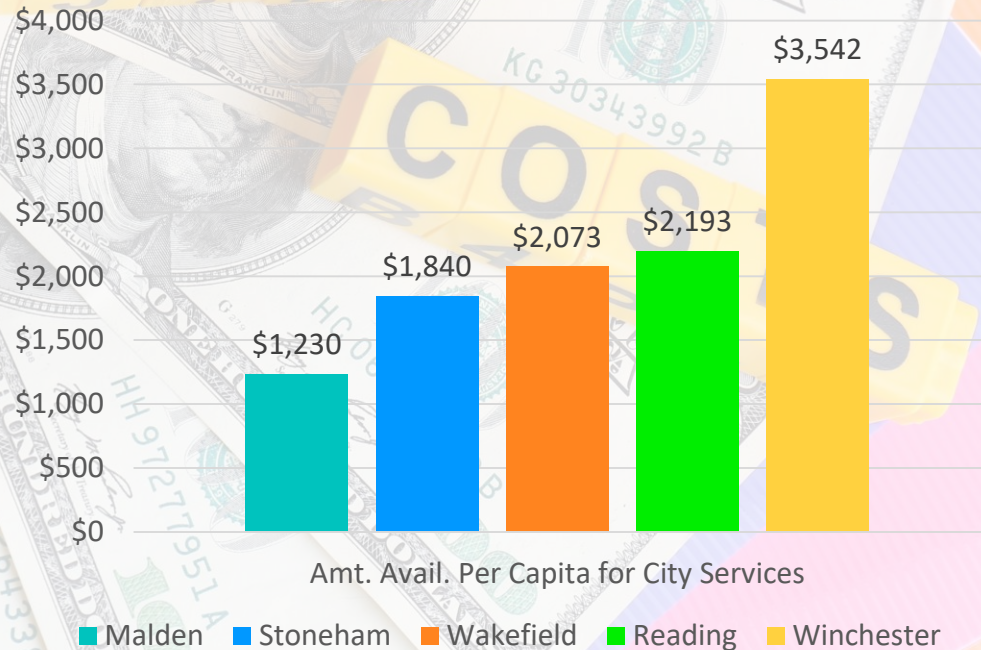
5th Middlesex Senate District

Other City Services

- Public Safety
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Funds Available Per Capita for Non Educational Services FY20

(At Required District Contribution)



Student Opportunity Act

A GREAT First Step

The **Student Opportunity Act**, (SOA) signed into law on Nov. 26, 2019 is a tremendous victory for students and our communities. It provides a major infusion of new funding to Massachusetts public schools. Backed by the Fund Our Future Coalition, the act is by far the most significant update of the state education funding system since the Massachusetts Education Reform Act was enacted in 1993. The primary beneficiaries will be low-income students, students of color and English learners who have been left behind by the outdated system.

The new law, Chapter 132 of the Acts of 2019, updates the foundation budget. A unique foundation budget is created for each district specifying the minimum level of education spending required to adequately educate the district's students. The costs are shared between municipalities and the state. First, the state calculates how much a municipality must contribute, largely based on local income and property tax wealth. Next, the state determines the difference between the "required local contribution" and the foundation budget. State Chapter 70 aid is then allocated to make up that difference.

Under the Student Opportunity Act, a relatively small number of districts will have to spend more on their local schools than they otherwise would have. The majority will not, because they already contribute more than mandated. Most of the new money under the act will come from the state. Projections show that new Chapter 70 allocations **will exceed \$2 billion** a year by 2027 in actual dollars — or **about \$1.4 billion** over what the aid would have been without the SOA.

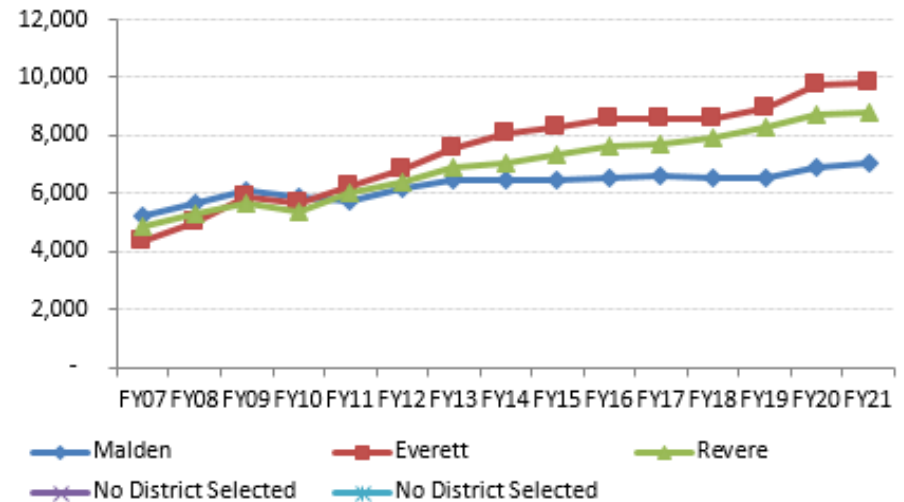
The Student Opportunity Act (SOA) addressed the outdated Foundation Budget Formula, which greatly understated the amount required to provide a quality education. That's a GREAT step for school districts and students alike.

However, SOA did NOT address an overly simplistic and outdated 'local contribution funding' formula that has no connection to the true ability of a Community's ability to pay.

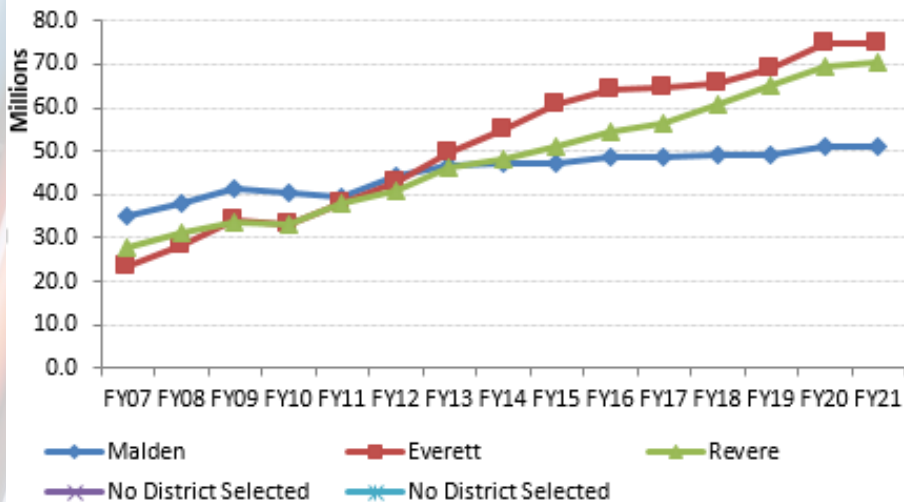
10 Year Decline in Chapter 70 Aid

Since 2010, the Chapter 70 Commitment to Malden has not kept pace with similar cities, eroding the ability of the City to fund other community needs.

Chapter 70 Aid per Pupil



Chapter 70 Aid



Both in absolute dollars and in dollars per pupil, the 10-year trend helps explain why so few funds are leftover each year to address other priorities.