

EDUCATION

It's Time For STS Fix the Funding Formula

City of Malden

May, 2021

Ronald B. Hogan

Director





Why Can't We.....

- Provide trash services at no cost like other cities
- Keep up on road paving year after year
- 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



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.

Comparing Similar Cities

COMPARISONS

Three Gateway Cities
(Malden, Everett, Revere)

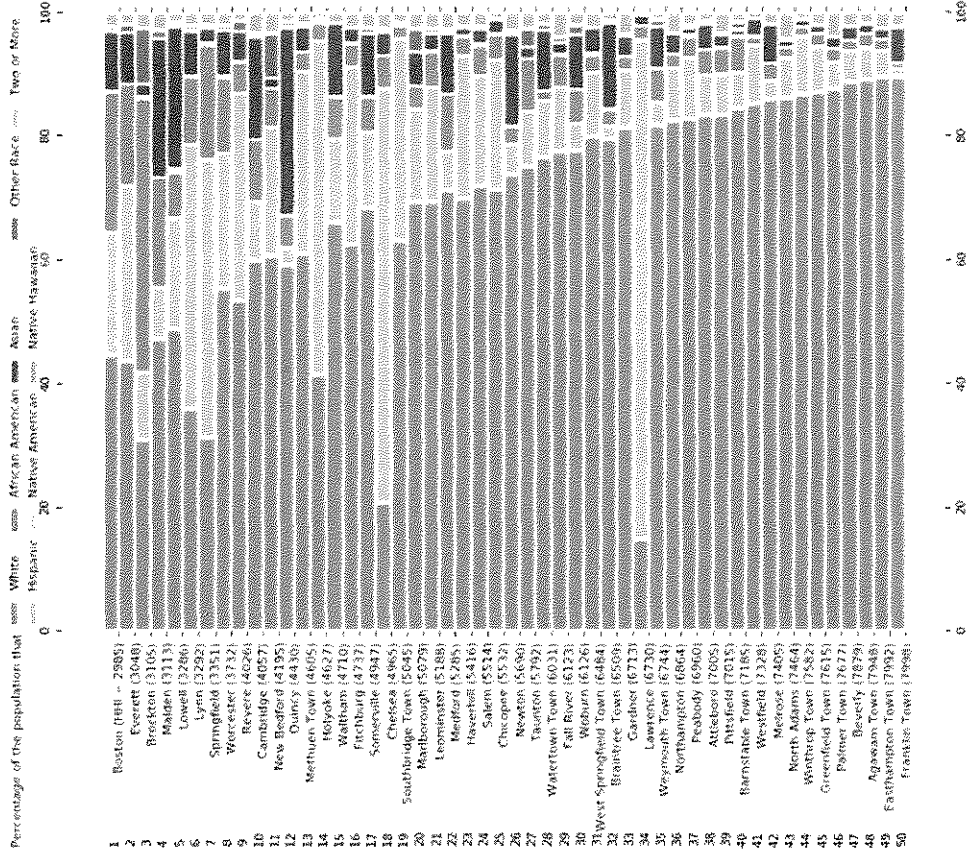
All amongst the top 10
diverse cities with
populations between 45k
and 61k

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

Additional analysis on
geographically close non-
gateway communities

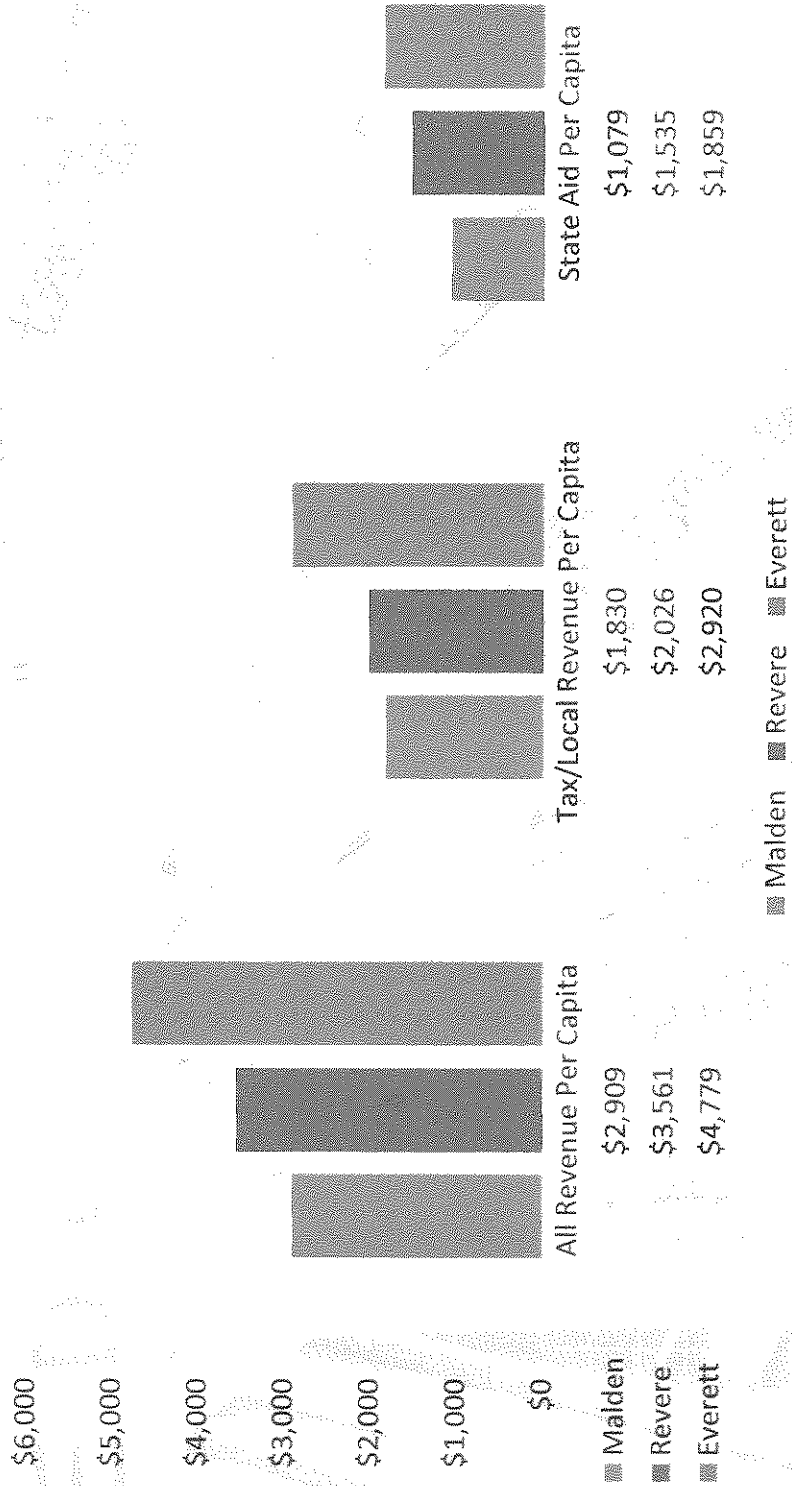
Note: Data has been from Department of Education,
Department of Revenue, US Census and City budgets

Most Diverse Cities In Massachusetts



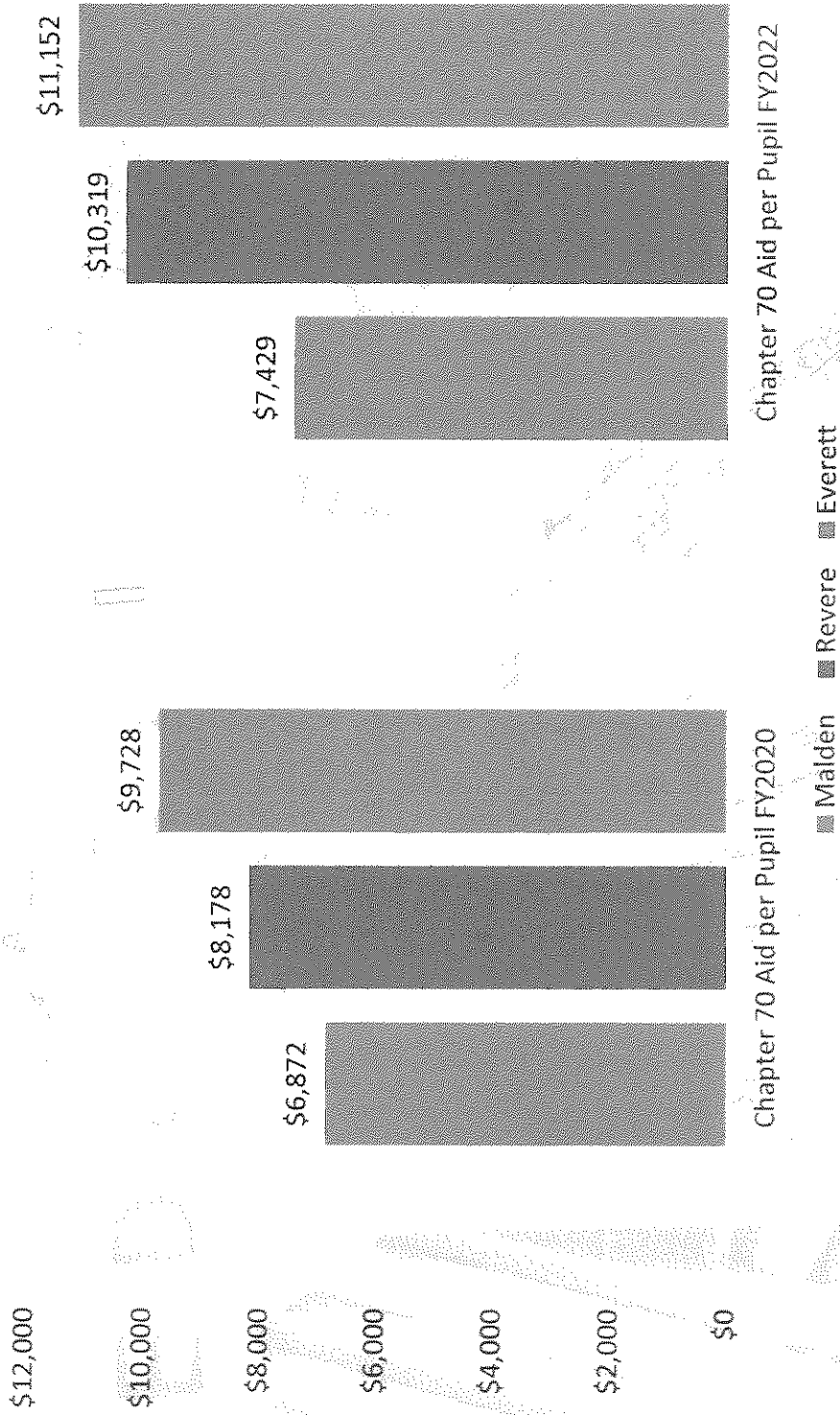
Revenue and Aid Per Capita

Fiscal Year 2020



Chapter 70 Aid Per Pupil

FY2020 & FY2022



Expected Local Contribution

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

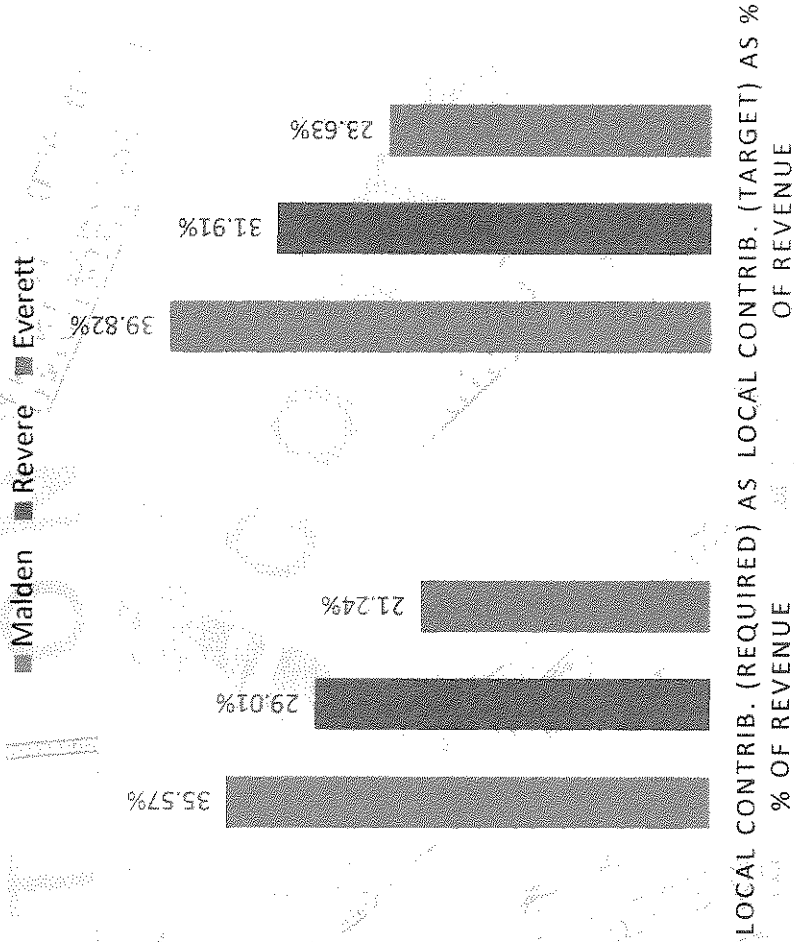
T E D

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



Required Local Contribution

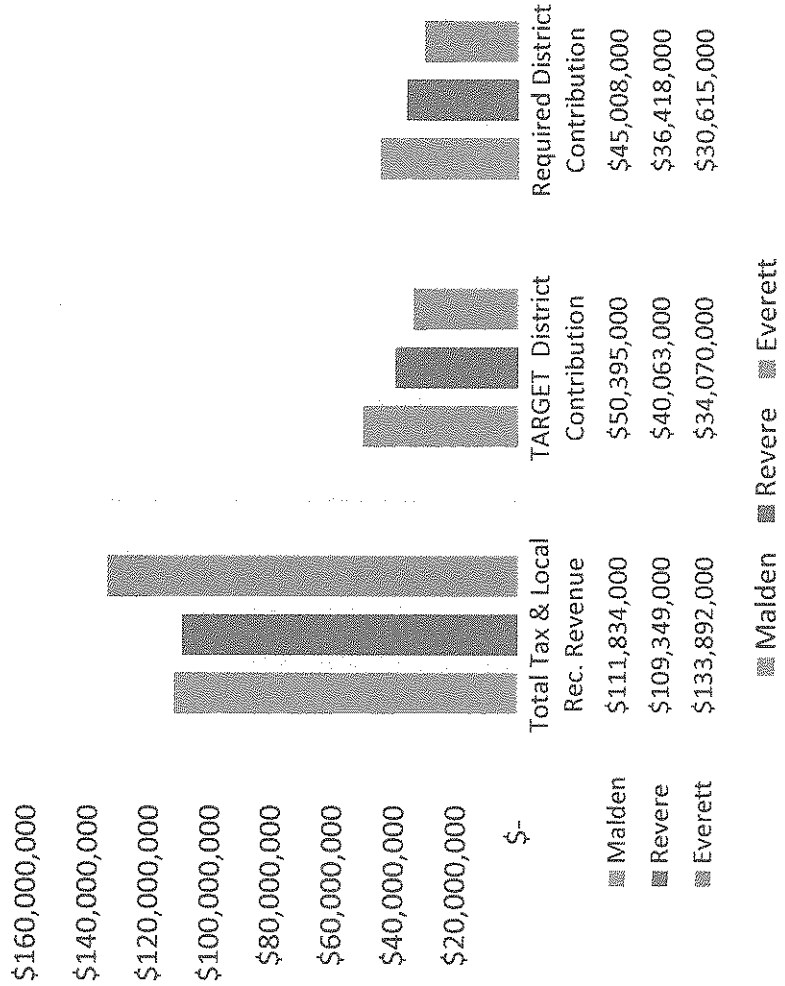
Lowest Revenue, Highest Expected Contribution
Disconnected From Revenue

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- Required Local Contribution



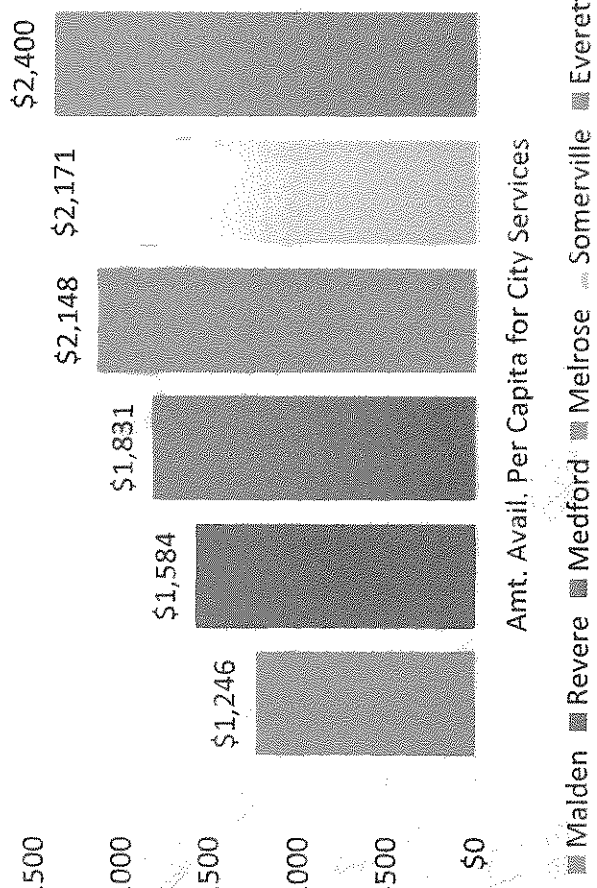
Funds Remaining For City Services

Area Cities

Other City Services

- Public Safety \$3,000
- Public Works \$2,500
- Health and Human Services \$2,000
- General Government \$1,500
- Culture and Recreation \$1,246
- Fixed Costs (pensions, debt, health) \$1,000
- Education support above Net School Spending \$500
- Roads and Infrastructure \$0

Funds Available Per Capita for Non Educational Services FY20 (At Target District Contribution)



■ Malden ■ Revere ■ Medford ■ Melrose ■ Somerville ■ Everett



Where Will The Cuts Come From?

Under the current Chapter 70 funding formula for FY22, the City of Malden SHOULD be able to...

REALLOCATE \$7.5 MILLION FROM OTHER AREAS

to fund education at the level the formulas says we can afford, with a commensurate REDUCTION in Chapter 70 Aid.

Look closely at the FY 2022 City of Malden budget.

Where would that funding come from?

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. Maybe it's gotten better? Unfortunately, it's heading in the wrong direction.

	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



Appendix

- Chapter 70 Overview
- Foundation Budget and Student Opportunity Act Overview
- Funds remaining for City Services
- DESE FY22 Calculation of Required Contribution and Summary Page
- 10 year decline in Chapter 70 Aid- Charts
- Full data set used for analysis

Chapter 70 Funding

WHAT IS THE CHAPTER 70 FUNDING FORMULA BASED ON?

At its core the Chapter 70 formula is based on something called the

Foundation Budget, which is designed to be a "model school

budget" that quantifies the minimum level of funding for

each school district. The goal of the formula is to ensure that

every district has sufficient resources to meet its Foundation

Budget spending level, through a combination of local property

taxes and state aid. The Foundation Budget and the Local

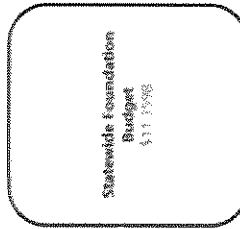
Contribution are the two key parts of the formula, though

there are also some additional wrinkles.

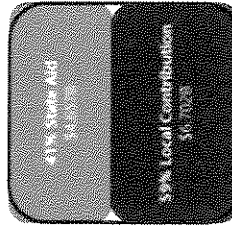
How is the required local contribution calculated?

Determining each community's target local share starts with the local share of statewide foundation.

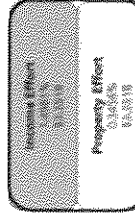
Calculate statewide foundation budget



Determine local share of statewide foundation



Statewide, determine percentages that yield 1% from property and 2% from income



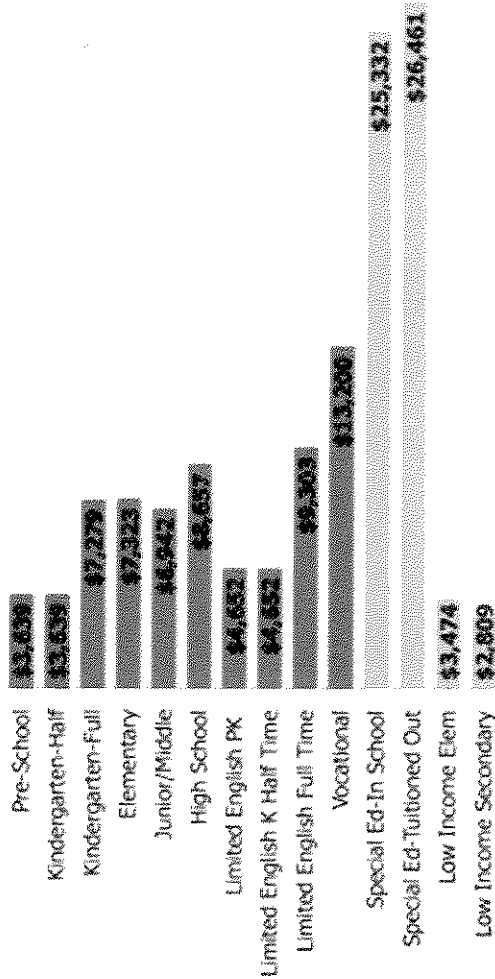
Property and income percentages are applied uniformly across all cities and towns to determine the combined effort yield from property and income

Foundation Budget

HOW IS THE FOUNDATION BUDGET DETERMINED?

The Foundation Budget is determined by taking the individual student population in 14 different enrollment categories and multiplying each by the cost rates in 11 different program areas. The enrollment categories (full list in graph below) are based on student demographics, such as how many students in each district are at the kindergarten level, elementary, middle school or high school. There are additional enrollment categories for special needs students, student with limited English proficiency, vocational students and low income students. The cost rates are broken down

FOUNDATION BUDGET RATES (FY16)



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.



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.

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.

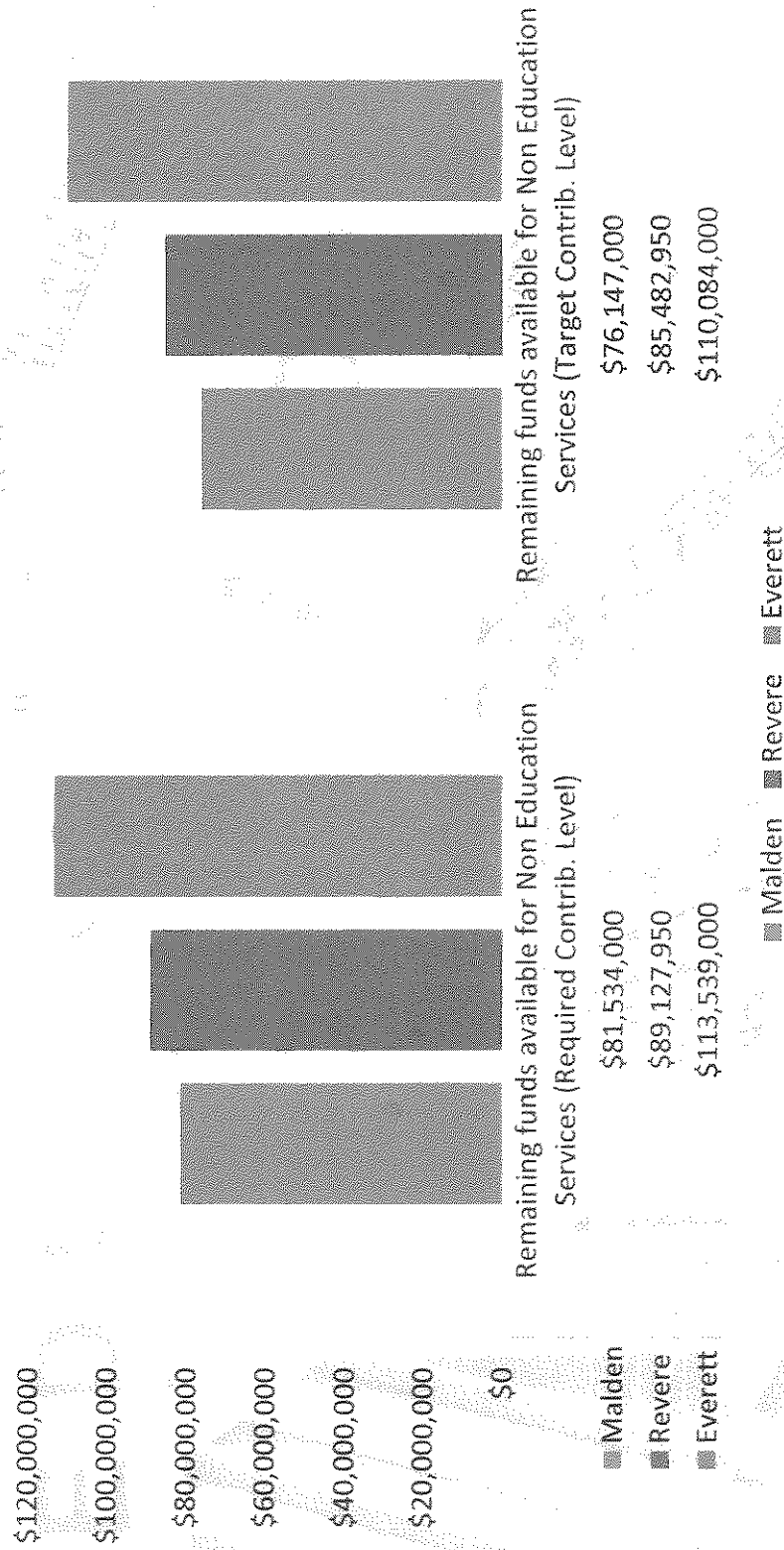
Step 3- State Aid (Chapter 70) is provided to 'fill in the gap'

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.

Funds Remaining for City Services

Gross Dollars

Fiscal Year 2020



Funds Remaining for City Services

5th Middlesex Senate District

Other City Services

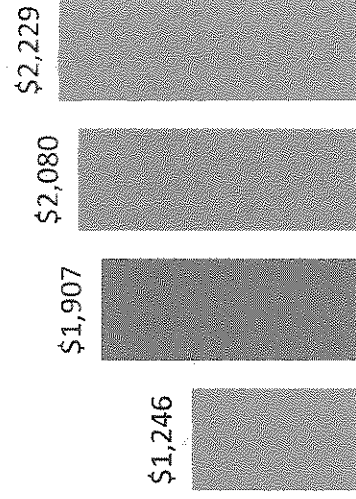
- Public Safety \$4,000
- Public Works \$3,500
- Health and Human Services \$3,000
- General Government \$2,500
- Culture and Recreation \$2,000
- Fixed Costs (pensions, debt, health) \$1,500
- Education support above Net School Spending \$1,000
- Roads and Infrastructure \$500
- Net School Spending \$0

Funds Available Per Capita for Non

Educational Services FY20

(At Target District Contribution)

\$3,545



Amt. Avail. Per Capita for City Services

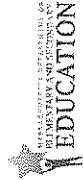
■ Malden ■ Stoneham ■ Wakefield ■ Reading ■ Winchester

Required Local Contribution 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		FY22 Increments Toward Goal	
1) 2020 equalized valuation	9,209,316,800	13) FY21 required local contribution	46,850,846
2) Uniform property percentage	0.3311%	14) Municipal revenue growth factor (DOR)	3.20%
3) Local effort from property wealth	30,490,732	15) FY22 preliminary contribution (13 raised by 14)	48,329,433
4) 2018 income	1,860,508,000	16) Preliminary contribution pct of foundation (15 / 8)	48.12%
5) Uniform income percentage	1.4135%	<i>If preliminary contribution is above the target share:</i>	
6) Local effort from income	26,297,899	17) Excess local effort (15 - 10)	
7) Combined effort yield (3 + 6)	56,788,631	18) 100% reduction toward target (17 x 100%)	
8) FY22 Foundation budget	100,437,861	19) FY22 required local contribution (15 - 18), capped at 90% of foundation	
9) Maximum local contribution (82.5% * 8)	82,861,236	20) Contribution as percentage of foundation (19 / 8)	
10) Target local contribution (lesser of 7 or 9)	56,788,631	<i>If preliminary contribution is below the target share:</i>	
11) Target local share (10 as % of 8)	56.54%	21) Shortfall from target local share (10 - 15)	8,459,198
12) Target aid share (100% minus 11)	43.46%	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 at:

Summary of Malden FY22 Education Funding

Massachusetts Department of Elementary and Secondary Education FY22 Chapter 70 Summary

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Aid Calculation FY22

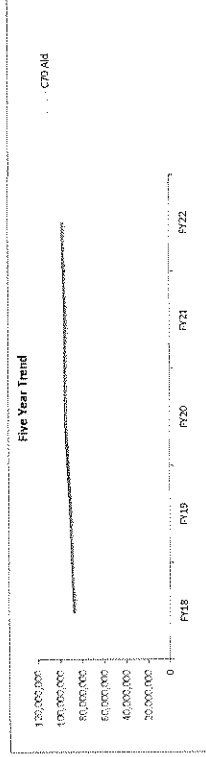
	Prior Year Aid	FY21	FY22	Change	Pct Chg
1. Chapter 70 FY21	51,206,223	7,268	6,521	-347	-4.77%
Foundation Aid		94,879,630	97,406,250	2,526,620	2.66%
2. Foundation budget FY22	97,406,250	45,560,692	47,779,006	2,218,314	4.87%
3. Required district contribution FY22	47,779,006	51,206,223	51,413,853	207,630	0.41%
4. Foundation aid (2 - 3)	49,627,244	96,766,915	99,192,659	2,425,944	2.51%
5. Increase over FY21 (4 - 1)	0	48.34%	43.46%		
Minimum Aid		53.97%	52.78%		
6. Minimum \$50 per pupil increase	207,630	101.99%	101.83%		
7. Minimum aid amount	207,630				
(If line 6 - line 5 > 0, then line 6 - line 5, otherwise 0)					
Subtotal	51,413,853				
8. Sum of 1,5,7					
Minimum Aid Adjustment	51,413,853				
9. Minimum aid adjustment					
10. Aid adjustment increment	0				
(If line 9 - line 8 > 0, then line 9 - line 8, otherwise 0)					
Non-Operating District Reduction to Foundation	0				
11. Reduction to foundation					
FY22 Chapter 70 Aid	51,413,853				
12. Sum of 1,5,7,10 minus 11					

Comparison to FY21

	FY21	FY22	Change	Pct Chg
Enrollment	7,268	6,521	-347	-4.77%
Foundation budget	94,879,630	97,406,250	2,526,620	2.66%
Required district contribution	45,560,692	47,779,006	2,218,314	4.87%
Chapter 70 aid	51,206,223	51,413,853	207,630	0.41%
Required net school spending (NSS)	96,766,915	99,192,659	2,425,944	2.51%
Target aid share	48.34%	43.46%		
C70 % of foundation	53.97%	52.78%		
Required NSS % of foundation	101.99%	101.83%		

ESSER II Allocation Available to Fund Increase in Required District Contribution

(A) ESSER II allocation	7,041,771
(B) 75% of ESSER II allocation	5,281,328
(C) Change in required district contribution over FY21	2,218,314
(D) ESSER II allocation available to fund district contribution increase	
(If C > 0, then lesser of B or C, otherwise 0)	2,218,314



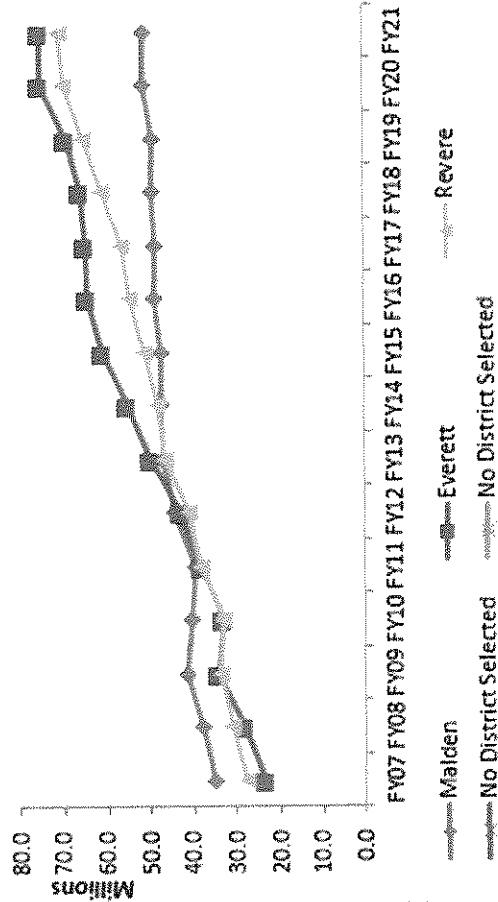
Note on Minimum Aid Adjustment on lines 9 and 10:

The minimum aid adjustment is the sum of (a) the greater of foundation aid or base aid determined based on the FY21 base and incremental rates, inflated to FY22, and (b) foundation enrollment multiplied by \$30. The aid adjustment increment (line 9) is the line 8 amount less the line 7 amount if the difference is positive. Otherwise, the increment is zero.

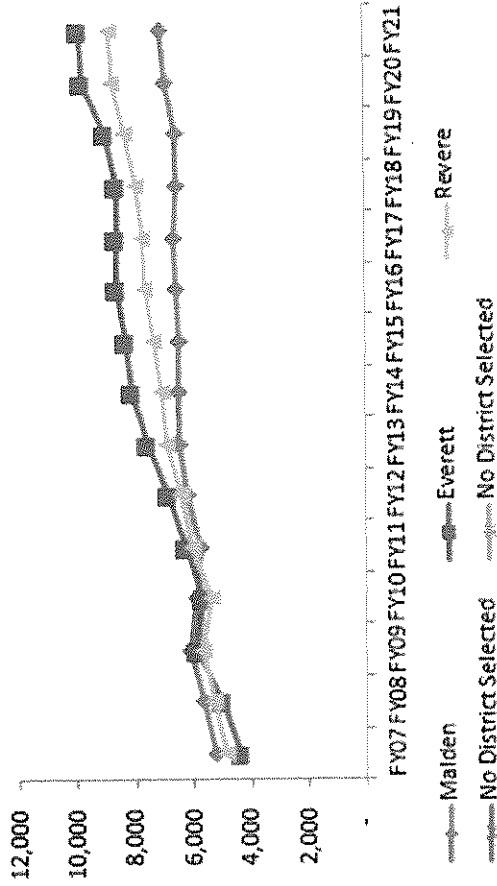
10 Year Decline in Chapter 70 Aid

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



Chapter 70 Aid per Pupil



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.