

SENATE CHAPTER 70 PLAN - WHAT IT DOES -

Addressing Issues of Adequacy in the Foundation Budget

- Increases the assumed in-district special education foundation enrollment percentage from 3.75% to 4% for 142 academic schools and from 4.75% to 5% for vocational schools.
- Increases English language learners' teacher/specialist foundation per pupil allotment by \$125.
- Increases low-income students' teacher/specialist foundation per pupil allotment by \$50.
- Increases the cap on the foundation inflation index from 4.5% to 5%.
- Reduces the number of categories used to calculate district foundation budget from 18 to 11 to more accurately reflect actual district expenditures.

Addressing Issues of Equity

- Weighs each district's aggregate income and aggregate property wealth equally in calculating its target local contribution; districts may reduce their contribution to this target over five years.
- Sets the maximum local contribution for any district at 80% of the foundation budget, thereby setting the minimum state aid target floor at 20% of the foundation budget; these targets will be reached over five years.
- Establishes state aid target share at 40% of the statewide foundation budget. A school district will receive its state aid from whichever of the following categories results in the largest allotment:
 - > "Foundation aid" makes up the difference between local contribution and foundation budget.
 - > "Growth aid" reflects changes in a district's foundation budget (typically due to enrollment).
 - > "Down payment aid" is FY06 state aid plus 20% of the difference between a school district's FY06 state aid and 100% of its target share.
 - > "Minimum aid" ensures that no district receives less than a \$50 per pupil increase over FY06.

CHAPTER 70
-ADVANTAGES OF THE SENATE PLAN -

During the Joint Committee on Education's recent listening tour throughout the state, education funding was the overriding theme. Each district's specific concerns, however, varied greatly depending on their economic circumstances and the make-up of their student population. In response, the Senate plan changes the Chapter 70 foundation budget and aid distribution formula to reflect the range of challenges faced by our schools and communities.

Large school districts

- . The Senate plan increases the per pupil allotment for both English language learners (\$125/child) and low-income children (\$50/child) in the foundation budget. Neither the Governor nor the House's plan includes these necessary adjustments.
- . Of the 10 largest school districts in the state (Boston, Brockton, Fall River, Lawrence, Lowell, Lynn, Newton, New Bedford, Springfield, Worcester), eight districts receive more aid under the Senate plan than the House plan, one receives the same (New Bedford), and one (Brockton) receives less, but Brockton still receives a 6.3% increase over FY06.

High-growth districts

- . The Senate plan uses "growth aid" to ensure that districts with enrollment increases receive commensurate increases in state aid. The House plan does not address the stresses faced by high-growth districts.
- . 9 of the 10 fastest growing school districts receive more state aid under the Senate plan. Regional school districts
- . The Senate plan increases the assumed special education enrollments in the foundation budget for all schools and increases the inflation cap from 4.5% to 5%.
- . 45 of 55 academic regional school districts receive equal or more state aid under the Senate's plan.

Vocational school districts

- . The Senate plan consolidates the foundation budget categories, better reflecting the greater costs of educating vocational students in high schools.
- . All 29 vocational school districts receive more state aid under the Senate plan.

High-effort districts

- . The Senate plan sets the state target aid floor at 20% of foundation budget; this is 5%

higher than the House. This number reflects: 1) a meaningful minimum state obligation to every school district; 2) a means to address the concerns of communities with high property values and lower-incomes.

The 10 districts with the lowest percentage of state aid as a percentage of the foundation budget all receive more state aid under the Senate plan.

SENATE CHAPTER 70 PLAN

CHANGES TO LOCAL AND STATE CONTRIBUTION FORMULA HOW IT WORKS ..

A target contribution as a percentage of the foundation budget is set for each municipality based on its ability to pay. Its ability to pay is measured by giving equal weight to the municipality's property and income wealth. On the state aid side, the formula's goal is to have the state contribute, at minimum, the difference between the foundation budget and the required local contribution. This is not always the case during the first years of implementation, but this balance between local and state contribution will be achieved over the course of five years.

LOCAL CONTRIBUTION

Each municipality's target calculations assume the goal of having total local contributions cover 60% of the statewide foundation budget. (In FY06, the statewide local contribution was 62.8% of the statewide foundation budget). This does not mean that the goal is to have every municipality contribute 60% of its own foundation budget. The goal is to have all of the municipalities' contributions combine to equal 60% of the total statewide foundation budget.

To determine a municipality's required local contribution, first a "target local contribution" and a "preliminary contribution" are calculated separately.

- If the "target local contribution" is *greater* than the "preliminary contribution," then the "preliminary contribution" is used as the municipality's required local contribution.
 - o The "preliminary contribution" is calculated by multiplying a municipality's prior year contribution by its municipal revenue growth factor ("MRGF").
- If the "target local contribution" is *less* than the "preliminary contribution," then the required local contribution for FY07 is calculated by reducing the "preliminary contribution" by 20% of the difference between the "preliminary contribution" and the "target local contribution."
- To determine "target local contribution":
 - o The plan defines the "maximum local contribution" ("MLC") as 80% of foundation budget. If a municipality's "combined effort yield" is greater than 50% of its foundation budget, the MLC is then used as its "target local contribution." If not, the "combined effort yield" stands as its "target local contribution."

The "combined effort yield" measures a municipality's ability to pay, weighing its property and income wealth equally.

- Statewide property wealth amounts to approximately five times as much as statewide personal income. Consequently, in order to equalize the effect of property wealth and income levels and in order to yield the desired statewide total contribution, different statewide factors are multiplied by both a municipality's equalized property value ("EQV"), that is, its total property wealth, and its aggregate income. These factors are 0.3548% and 1.7103%, respectively.

'A foundation budget is calculated for each school district. The foundation budget is the sum of the 11 categories of education expense (e.g., classroom and specialist teachers, instructional materials, etc.). The total represents an amount of money that the state considers sufficient to adequately educate the school district population, although most districts' overall expenditures amount to more than their foundation budget.

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- Thus, the "combined effort yield" is: (municipality's EQV *3548%) plus @ts aggregate income X 1.7103%).

Example: Dracut

To find Dracut's "target local contribution":

Multiply its 2004 EQV by 0.3548% and its 2003 aggregate personal income by 1.7103%. The two results added together produce the "combined effort yield."

- 2004 EQY: $\$2,638,346,500 \times 0.3548\% = \$9,361,455$
- 2003 Personal Income: $\$698,402,000 \times 1.7103\% = \$11,944,637$
- "Combined Effort Yield": $\$9,361,455 + \$11,944,637 = \$21,306,092$

Dracut's FY07 Foundation Budget: \$35,555,894

"Maximum local contribution" = 80% of \$35,555,894 = \$28,444,715

Because the "combined effort yield" (\$21,306,092) is lower than the "maximum local contribution" (\$28,444,715), the formula provides that the "combined effort yield" (\$21,306,092) be used as Dracut's "target local contribution."

To find Dracut's "preliminary local contribution":

Multiply its prior year local contribution (\$17,766,553) by its MRGF, which is 4.99%. (This is how local contribution is calculated under the current formula.)

$\$17,766,553 \times (1+.0499) = \$18,653,104$ (this is Dracut's "FY07 preliminary local contribution")

Next, compare Dracut's FY07 "preliminary local contribution" (\$18,653,104) to its "target local contribution" (\$21,306,092).

Because Dracut's "target local contribution" is *more* than its "preliminary local contribution," its "preliminary local contribution" is used as its "required local contribution" for FY07.

\$18,653,104 = Dracut's FY07 required local contribution

STATE AID

There are four types of state aid: "foundation aid," "growth aid," "down payment aid" and "minimum aid." A school district receives whichever type of aid, calculated as described below, results in the largest allotment.

1. Foundation Aid

Foundation aid is calculated by subtracting a district's FY07 required local contribution from its FY07 foundation budget. The resulting gap is called "foundation aid."

Using Dracut as an example:

\$35,555,894 (FY07 foundation budget)

· \$18,653,104 (FY07 required local contribution) \$16,902,790 **3** Dracut's foundation aid

2. Growth Aid

To calculate "growth aid":

· A municipality's prior year Chapter 70 aid + ("Target Aid Share" x dollar amount change in foundation budget from prior year)

- o The "target aid share" is 100% minus the "target local share."
 - The "target local share" is the "target local contribution" as a percentage of the foundation budget.
 - For Dracut, this is: \$21,306,092 (target local contribution) divided by \$35,555,894 (foundation budget), so target local share = 59.92%
 - Therefore, Dracut's "target aid share" is:
 - 100%
 - 59.92% (target *local* share)
 - 40.08% (target *state aid* share)

In Dracut's case, state aid already exceeds the state aid target share of foundation. Consequently, "growth aid" does not apply to Dracut.

3. Down Payment Aid

"Down payment aid" is calculated by taking the positive difference between the district's FY06 aid and 100% of its target state aid. "Down payment aid" equals FY06 state aid plus 20% of this difference.

In the case of Dracut, because it is already receiving above its target state aid share, "down payment aid" does not apply.

4. Minimum aid

Minimum aid ensures that every district receives at least \$50 per pupil more than it did last year. If none of the other types of aid results in at least a \$50 per pupil increase over FY06, then "minimum aid" kicks in.

Because of its "foundation aid," Dracut receives more than \$50 per pupil, so "minimum aid" does not apply.

Conclusion

Because "foundation aid" provides the largest allotment of state aid (among the four categories of state aid), Dracut will receive "foundation aid" in the amount of \$14,954,310 for FY07. This is an increase of 8.0% over its FY06 state aid.