

# State Funding for Schools

## Chapter 70 Aid

### Overview

This memo provides an overview of the FY16 Chapter 70 state funding. Chapter 70 Aid is the state funded program that allocates resources for education to school districts in the Commonwealth. The Education Reform Law of 1993 included this extensive program of state aid to cities and towns for the operation of K-12 public schools. The original intent of the program was “to ensure that every public school system had adequate funding, regardless of the wealth of the local community.” The financing formula has evolved from its original state to consider a community’s ability to pay according to its property values as well as income levels. Thus, the program that began in 1994 continues to provide substantial resources to communities throughout the Commonwealth under the aggregate wealth model. The goal of the Chapter 70 formula is to ensure that every district has sufficient resources to meet its foundation budget spending level, through an equitable combination of local property taxes and state aid.

### Components

There are six factors that work together to determine a districts chapter 70 aid.

#### Foundation budget

\*Enrollment

\*Wage Adjustment Factor

\*Inflation

#### Local contribution

\*Property Value

\*Income

\*Municipal Revenue Growth Factor

The Chapter 70 aid to school districts is determined through four basic steps:

#### Step 1: **Foundation Budget**

This total "foundation budget" is designed to represent the total cost of providing an adequate education for all students, and it is often expressed as a per-pupil foundation budget by dividing the total foundation budget by the number of students. The foundation budget is a shared municipal-state responsibility. A district’s foundation budget is derived by multiplying the number of pupils in fourteen enrollment categories by cost rates in eleven functional areas. The enrollment categories include Preschool, Kindergarten, Elementary, Middle, High School, English Language Learners, and Vocational as well as incremental cost categories including Special Education In District and Out of District, and Low Income. Certain formulas are used that assume ratios of students and staff that apply to all districts, not

specific to each district. The functional areas include administration, instructional leadership, classroom teachers, guidance, maintenance and operations, employee benefits as well as a wage and inflation factor to sum up the foundation budget. For more information, please see The Massachusetts Foundation Budget memo on the Sutton Public Schools website.

**Step 2: Local Contribution -**

Once the total foundation budget is established, the state calculates each city and town’s “ability to contribute” local revenue towards the operation of its schools. Local ability to contribute varies widely based upon the incomes and property values of different cities and towns. The required local contribution is basically a measure of how much local tax revenue a city or town can reasonably raise and dedicate to the operation of its schools and is known as the aggregate wealth model.

As part of the 2007 reforms, the state now calculates two separate local contribution amounts for each district before coming up with a final required contribution. The state gets to the required contribution through three steps:

1. A "preliminary contribution" is calculated by taking the previous year 's required local contribution and multiplying it by the Municipal Revenue Growth Factor, a rate that estimates growth in local revenues from year to year.
2. A "target contribution" is calculated by looking at the specific property values and income wealth of a given community.
3. Since the target contribution is more directly tied to each community’s current ability to contribute, the state then sets a "required contribution" designed to move districts whose preliminary contributions are either above or below their target contributions towards the target. The final required contribution is then set based on uniform rules, and falls in between the preliminary and target contributions.

**Massachusetts Department of Elementary and Secondary Education  
FY16 Determination of City and Town Total Required Contribution**

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<u>Effort Goal</u>		<u>FY16 Increments Toward Goal</u>	
1) 2014 equalized valuation	1,234,142,300	13) Required local contribution FY15	10,608,161
2) Property percentage	0.3808%	14) Municipal revenue growth factor (DOR)	4.08%
3) Local effort from property wealth	4,699,392	15) FY16 preliminary contribution (13 x 14)	11,040,974
		16) Preliminary contribution pct of foundation (15/8)	72.99%
4) 2012 income	401,098,000	<i>If preliminary contribution is above the target share:</i>	
5) Income percentage	1.4930%	17) Excess local effort (15 - 10)	353,173
6) Local effort from income	5,988,408	18) 50% reduction toward target (17 x 50%)	176,587
7) Combined effort yield (row 3+ row 6)	10,687,801	19) FY16 required local contribution (15 - 18), capped at 90% of foundation	10,864,388
		20) Contribution as percentage of foundation (19 / 8)	<b>71.82</b>
8) Foundation budget FY16	15,127,053	<i>If preliminary contribution is below the target share:</i>	
9) Maximum local contribution (82.5% * row 8)	12,479,818	21) Shortfall from target local share (11 - 16)	
10) Target local contribution (lesser of row 7 or row 9)	10,687,801	22) Added increment toward target (13 x 1% or 2%)*	
		*1% if shortfall is between 2.5% and 7.5%; 2% if shortfall > 7.5%	
11) Target local share (row 10 as % of row 8)	70.65%	23) Shortfall from target after adding increment (10 - 15 - 22)	
12) Target aid share (100% minus row 11)	29.35%	24) FY16 required local contribution (15 + 22)	
		25) Contribution as percentage of foundation (24 / 8)	

**Step3: State Aid – Chapter 70**

Chapter 70 education aid is then determined by filling the gap between a district’s required local contribution and its foundation budget. Calculating state aid from the difference between steps 1 and 2 ensures that every district can fund the total baseline education determined appropriate by the foundation budget.

**Step 4: Additional Contributions -**

The required local contribution is only a minimum amount that cities and towns must contribute to their school districts, and many communities opt to contribute significantly more. For this reason, the Chapter 70 formula provides a baseline school budget, but it does not ensure equitable total funding across the state. Net School Spending is defined as the Chapter 70 Aid plus the Towns Required Local Contribution. Cities and Towns must spend at least their Required Net School Spending and the chart below indicates that Sutton has exceeded its Net School Spending Requirements and has spent between 109% and 116% percent above its Required Net School Spending and has recently been around 116%. According to the Massachusetts Department of Elementary and Secondary Education, in FY14 there were 103 districts budgeted to spend between 105% and 120% above their Net School spending. There were 154 districts budgeted to spend 120% above their Net School spending.

**History of Chapter 70 Aid to Sutton**

**Chapter 70 Trends**

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	Foundation Enrollment	Pct Chg	Foundation Budget	Pct Chg	Required Local Contribution	Chapter 70 Aid	Pct Chg	Required Net School Spending (NSS)	Pct Chg	Actual Net School Spending	Pct Chg	Dollars Over/Under Requirement	Percent Over/Under
FY06	1,637	0.9	11,351,923	4.6	6,730,648	4,751,948	1.8	11,482,596	5.8	12,441,330	3.9	958,734	8.3
FY07	1,632	-0.3	12,029,950	6.0	7,218,489	5,011,361	5.5	12,229,850	6.5	13,215,634	6.2	985,784	8.1
FY08	1,644	0.7	12,654,101	5.2	7,579,591	5,245,542	4.7	12,825,133	4.9	14,317,028	8.3	1,491,895	11.6
FY09	1,632	-0.7	13,334,010	5.4	8,022,384	4,918,279	-6.2	12,940,663	0.9	14,553,367	1.7	1,612,704	12.5
FY10	1,632	0.0	13,738,054	3.0	8,347,934	5,386,366	9.5	13,734,300	6.1	14,886,059	2.3	1,151,759	8.4
FY11	1,598	-2.1	13,180,445	-4.1	8,462,731	5,075,229	-5.8	13,537,960	-1.4	14,626,114	-1.7	1,088,154	8.0
FY12	1,577	-1.3	13,280,919	0.8	8,832,665	5,102,475	0.5	13,935,140	2.9	14,913,672	2.0	978,532	7.0
FY13	1,522	-3.5	13,287,888	0.1	9,081,755	5,163,355	1.2	14,245,110	2.2	15,011,252	0.7	766,142	5.4
FY14	1,524	0.1	13,559,814	2.0	9,456,038	5,201,455	0.7	14,657,493	2.9	15,368,649	2.4	711,156	4.9
FY15	1,511	-0.9	13,581,959	0.2	9,692,460	5,239,230	0.7	14,931,690	1.9	15,858,450 *	3.2	926,760	6.3

**Summary**

In conclusion, Chapter 70 is the state aid formula used to determine adequate funding levels to educate children throughout Massachusetts. Although the formula does have flaws, it is a critical funding source for cities and towns in Massachusetts. Sutton’s enrollment growth has declined, as a result state levels of funding have only increased by minimum levels.