

Massachusetts Chapter 70 School Funding Formula

Presentation to the Illinois Education Funding Advisory Committee

October 16, 2013

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MASSACHUSETTS DEPARTMENT OF
ELEMENTARY AND SECONDARY
EDUCATION



Massachusetts K-12 Spending by Revenue Source

(FY12 - \$ billions)

Federal	\$ 1.02	7%
Local property taxes	\$ 8.54	54%
State		
Chapter 70	\$ 3.99	
Other grant programs	\$ 1.25	
Teacher pensions	\$ 0.94	
Subtotal	\$ 6.18	39%
Total K-12 Funding	\$ 15.73	100%



Massachusetts education reform

- ★ Significant increase in state funding
- ★ Curriculum standards
- ★ State assessment (MCAS)
- ★ High school graduation standards
- ★ Teacher licensing and tenure changes
- ★ Charter schools
- ★ State intervention in underperforming schools and districts



Chapter 70 – formula goals

★ Adequacy for students

State has a constitutional obligation to ensure that each school district has sufficient funding to provide an adequate education to its students

★ Equity for taxpayers

Local taxpayers are treated fairly and consistently



Chapter 70 – four basic steps

- ★ **Foundation budget** – the minimum spending level need by each district to provide an “adequate” education
- ★ **Required local contribution** – what each city and town can afford to contribute based on municipal fiscal capacity
- ★ **Apportionment** – allocating the required local contribution among the various school districts to which the city or town belongs
- ★ **State aid calculation** – at a minimum, the state guarantees the difference between each district’s foundation budget and required local contributions



Foundation budget inputs

- ★ **Per pupil rates**
- ★ **District enrollment by grade**
- ★ **Student demographics**
 - ★ Low income
 - ★ English language learners
- ★ **Regional wage differences**
- ★ **Annual inflation adjustment**– US Dept of Commerce price deflator for state and local governments



Foundation budget rates (FY14)

	administration	instructional leadership	classroom & specialist teachers	other teaching services	professional development	instructional materials, equipment and technology	guidance and psychological	pupil services	operations and maintenance	employee benefits and fixed charges	special education tuition	TOTAL
Pre-School	178	322	1,476	378	58	214	107	43	410	369	0	3,555
Kindergarten-Half	178	322	1,476	378	58	214	107	43	410	369	0	3,555
Kindergarten-Full	356	644	2,951	757	117	427	215	85	819	739	0	7,110
Elementary	356	644	2,951	757	117	427	215	128	819	739	0	7,153
Junior/Middle	356	644	2,597	545	127	427	286	209	888	702	0	6,781
High School	356	644	3,819	454	123	683	358	483	861	675	0	8,456
Special Ed-In School	2,459	0	8,116	7,577	391	342	0	0	2,747	3,112	0	24,745
Special Ed-Tuitioned Out	2,459	0	0	38	0	0	0	0	0	0	23,351	25,848
Limited English PK	178	322	2,222	303	79	214	143	64	555	465	0	4,544
Limited English K Half Time	178	322	2,222	303	79	214	143	64	555	465	0	4,544
Limited English Full Time	356	644	4,444	605	158	427	286	128	1,109	929	0	9,088
Vocational	356	644	6,492	454	203	1,196	358	483	1,612	1,096	0	12,894
Low Income Elem	0	0	2,655	0	58	0	0	0	410	270	0	3,393
Low Income Secondary	0	0	2,006	0	58	0	0	0	410	270	0	2,744



Foundation budget issues

- ★ Uses prior year enrollment for timely estimates
- ★ Does not use actual special education counts
- ★ Low income counts use free/reduced lunch data
 - ★ USDA Community Eligibility Option?
- ★ Health insurance costs significantly underestimated
- ★ Excludes transportation and building construction costs



Required local contribution

- ★ Originally a maintenance of effort requirement based on FY1993
- ★ Changed to “Aggregate Wealth” model based on current data
- ★ Establishes target local share of foundation for each city and town
 - ★ Targets based on property values and personal income (weighted equally)
 - ★ Recalculated each year to reflect changes in data
 - ★ Assumes statewide 59% target local share
- ★ Multi-year transition to new model – annual increments bring municipalities closer to target each year



Sample calculation Brockton (FY14)

2012 equalized valuation	5,986,229,500
Property percentage	0.3557%
Local effort from property wealth	21,294,982
2010 income	1,639,427,000
Income percentage	1.5441%
Local effort from income	25,314,213
Combined effort yield (row 3+ row 6)	46,609,195
Foundation budget FY14	206,689,935
Maximum local contribution (82.5% * row 8)	170,519,197
Target local contribution (lesser of row 7 or row 9)	46,609,195
Target local share (row 10 as % of row 8)	22.55%
Target aid share (100% minus row 11)	77.45%



State aid calculation

- ★ State guarantees at least the difference between foundation budget and required local contribution
- ★ Additional aid in most years (if funds available)
 - ★ Hold harmless aid
 - ★ Everyone gets an increase aid (eg \$25 pp)
- ★ Goal of minimum aid level for all districts
17.5% of foundation budget



Chapter 70 has had a strong equalizing effect

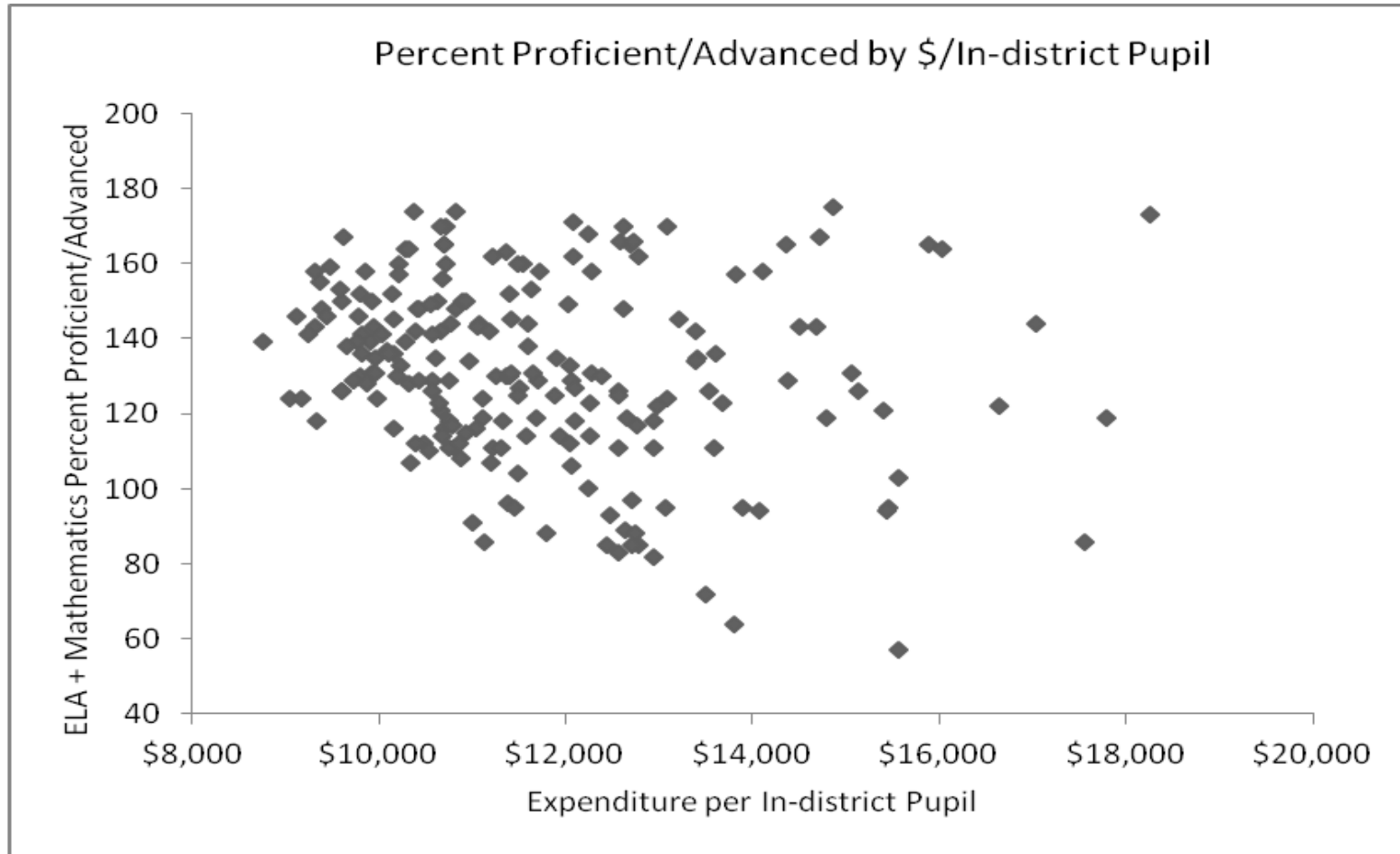
Quartile of percentage of low income students	Foundation budget	Chapter 70 aid	Spending (all funds)	Average teacher salary
Lowest quartile (lowest percentage of low-income students)	\$8,578	\$2,292	\$12,458	\$69,425
Second quartile	\$8,729	\$2,732	\$11,691	\$67,318
Third quartile	\$9,177	\$3,251	\$12,695	\$66,513
Highest quartile (highest percentage of low-income students)	\$10,844	\$6,481	\$14,249	\$70,442
Difference between lowest and highest quartile	\$2,266	\$4,189	\$1,791	\$1,017

FY10 per pupil data

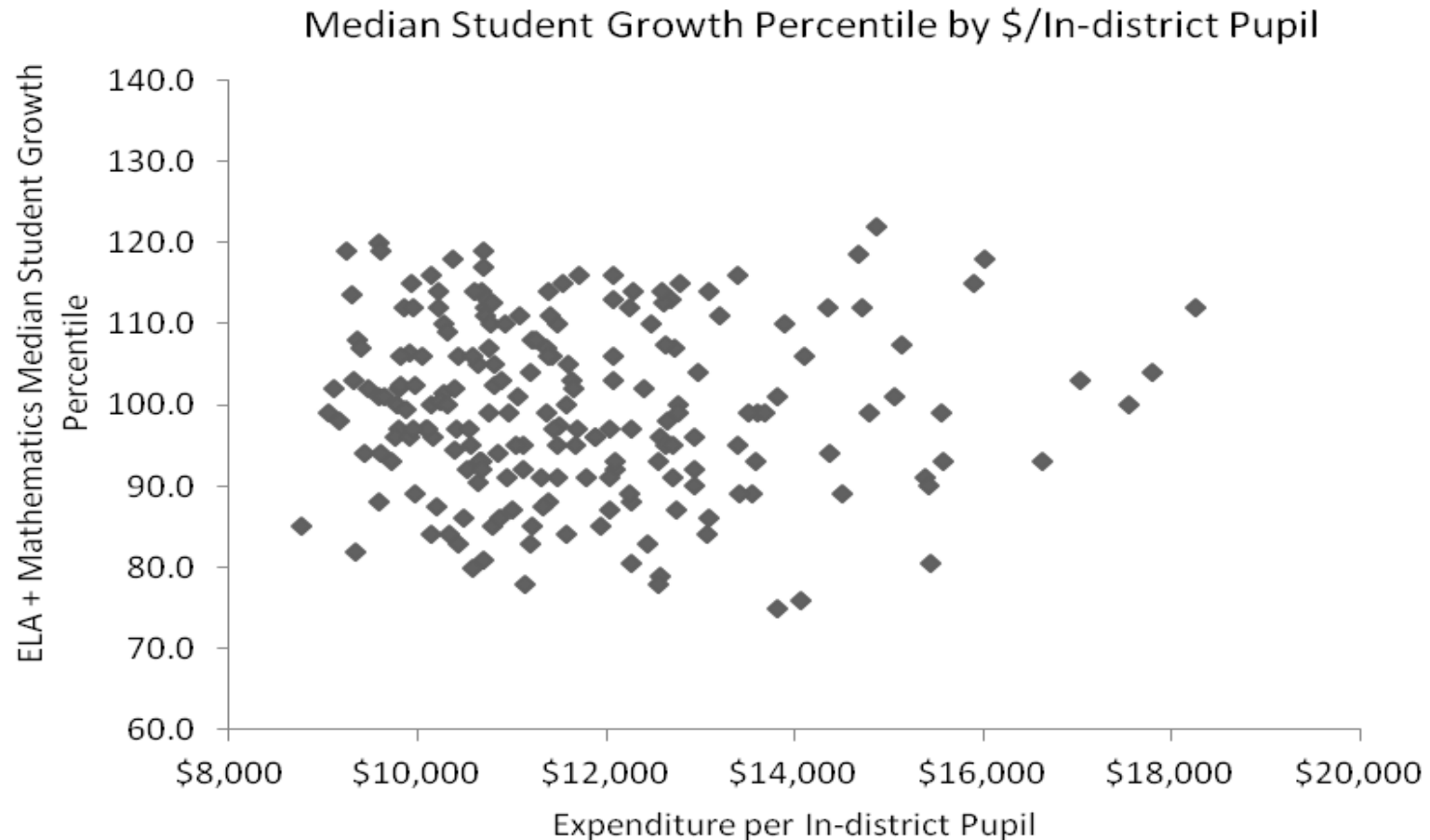
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Student achievement vs per pupil spending



Student growth vs per pupil spending



Lessons learned

- ★ Support for a new formula required support for education reform
- ★ A formula can be simple or it can be fair, but it's hard to be both
- ★ Fairness is in the eye of the beholder
- ★ Transitions are hard
- ★ Money is necessary but not sufficient to improve student achievement



For further information ...

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