# MEMORANDUM

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| **To:** | Members of the Board of Elementary and Secondary Education |
| **From:** | Russell D. Johnston, Acting Commissioner |
| **Date:** | June 10, 2024 |
| **Subject:** | FY25 Senate Budget Proposal |

On May 23rd, the Massachusetts Senate approved its recommendations for the upcoming FY25 state budget year and added over $20.48 million to Department of Elementary and Secondary Education (DESE) line items. $5.89 million is designated for legislative earmarks. The remaining $14.59 million has been added to these nine accounts.

1596-0115 Civics Project Trust Fund - $1M increase to $2.5M

1596-0116 Genocide Education - $750K increase to $3M

7035-0001 Career and Technical Education Program - $1M increase to $3.5M

7035-0035 AP Math and Science - $1.39M increase to $3.39M

7061-0008 Chapter 70 - $3.15M increase to $6.904B

7061-9611 After-School Grants - $2M increase to $10.7M

7061-9626 Youth Build Programs - $1.25M increase to $3M

7061-9634 Mentoring Matching Grants - $1.55M increase to $3.05M

7061-9813 Rural School Aid - $2.5M increase to $17.5M

The following summarizes the Senate’s education recommendations by program area.

1. **Education Local Aid & Reimbursements**

**Chapter 70 aid (7061-0008)** is increased by $308.6M (4.7%) to $6.90B. The FY25 Chapter 70 program reflects the passage in November 2019 of An Act Relative to Educational Opportunity for Students, commonly known as the Student Opportunity Act (SOA). The SOA makes significant changes to the Chapter 70 formula, based in large part on the recommendations of the Foundation Budget Review Commission (FBRC). The updated formula is also codified in Chapter 70 of the general laws.

*Statutory parameters*

The updated formula includes three parameters to be specified in each year's general appropriations act. In the FY25 Senate budget, these are specified as follows:

* Total state target local contribution: 59%
* Effort reduction: 100%
* Minimum aid: $104 per pupil funded

*Foundation budget changes*

The SOA establishes new, higher foundation budget rates in five areas: benefits and fixed charges, guidance and psychological services, special education out-of-district tuition, English learners, and low-income students, which are all expected to be phased in by FY27. For FY25, the rates have been increased by 4/6ths of the gap between the rates in FY21—the base year used in the calculations—and the final target rates. The SOA also increased the number of tiers used for the low-income increment rates from ten to twelve; districts with higher concentrations of low-income students benefit from higher rates.

In addition to these targeted rate increases, foundation budget categories are also increased to account for inflation. A new employee benefits inflation rate is applied to the employee benefits and fixed charges category. This is based on the enrollment-weighted, three-year average premium increase for all Group Insurance Commission plans; for FY25 the increase is 5.03%. An inflation rate of 1.35% is applied to all other foundation budget rates, based on the U.S. Department of Commerce's state and local government price deflator.

Statewide, foundation enrollment increased from 905,106 in FY24 to 905,572 in FY25, an increase of 466 students. Foundation enrollment decreased for 165 districts, while 149 districts experienced enrollment increases.

Finally, the formula's minimum aid provision guarantees all districts receive at least the same amount of aid in FY25 as they did in FY24 plus a $104 per pupil increase.

*Low-income and special education enrollment*

The SOA reinstates the definition of low-income enrollment used prior to FY17, based on 185% of the federal poverty level. It replaces the economically disadvantaged designation (based on 133% of the federal poverty level) used from FY17 through FY22. For FY25, a district's low-income enrollment is based on three eligibility categories:

* Students identified as participating in state public assistance programs, including the Supplemental Nutrition Assistance Program (SNAP), Transitional Aid to Families with Dependent Children (TAFDC), MassHealth, and foster care; or
* Students verified as low income through a supplemental data collection process first used for Chapter 70 in FY23; or
* Students reported by a district as homeless through the McKinney-Vento Homeless Education Assistance program application.
* Statewide, low-income enrollment for FY25 is 415,821, compared to 421,305 in FY24.

The SOA also provides for a phase-in of increases to the assumed in-district special education enrollment to 5% for vocational students and 4% for non-vocational students. In FY25, these assumed rates have been increased by 4/6ths of the gap to 4.93% and 3.93%, respectively.

*Required local contributions*

The aggregate wealth model that has been used to determine target local contribution requirements since FY07 is now codified in Chapter 70 by the SOA. For municipalities with preliminary required contributions above their targets, the effort reduction component of the formula closes 100% of the gap between their preliminary contribution and their contribution target. For municipalities with preliminary required contributions significantly below their targets, the formula continues to apply an additional increment to their required contribution to close a portion of the gap to their contribution target.

Finally, pursuant to its codification in Chapter 70 by the SOA, a provision introduced in the FY20 budget specifying a minimum required local contribution of 82.5% of foundation for any city or town with a combined effort yield greater than 175% of foundation is continued in FY25.

*Charter school tuition*

Foundation tuition rates for Commonwealth charter schools are based on the same foundation budget rates used in Chapter 70. The foundation budget rate increases being implemented in FY25 have been incorporated into our projected FY25 tuition rates. In addition, charter school low-income enrollment for FY25 has been identified using the same eligibility criteria used for districts. The facilities component of the tuition rate is $1,188 per pupil, with this cost fully reimbursed by the state as in prior years.

The reimbursement formula for transitional aid to districts reflects the change enacted by Section 38 of the FY20 budget, which provided for a reimbursement of 100% of any tuition increase in the first year, 60% in the second year, and 40% in the third year. Funding for first year reimbursements is prioritized first, followed by funding for second year reimbursements. The SOA required 75% of the total state obligation to be funded in the first year (FY22), 90% in the second (FY23), and 100% in subsequent years (FY24 and beyond). The Senate has recommended a $199.0 million appropriation for these reimbursements. This appropriation level is expected to meet the 100% requirement in FY25. The projected assessments and reimbursements for charter tuition payments at this point can be useful for budget planning but should not be viewed as final numbers, given normal fluctuations in both projected and actual enrollments which occur over the course of the fiscal year.

**Special Education Circuit Breaker reimbursement (7061-0012)** is decreased by $6.7M to $492.2M. When combined with the $75M Ch.766 reserve fund made available for reimbursement of current year expenses of districts in FY24 (thereby offsetting FY25 reimbursement needs) or otherwise to be available in FY25 to supplement funding in this item (for reimbursement of expenses not reimbursed in FY24 from the reserve) and a lower need projected for traditional Extraordinary Relief in FY25 (returning to the traditional set-aside level of $5M from a one-time need level of $20M in FY24), this funding level is projected to reimburse 100% of the entitlements and traditional earmarks provided for under the Circuit Breaker program.

* This 100% reimbursement projection includes the new, out-of-district transportation costs made eligible under a provision of the Student Opportunity Act (SOA).

The FY25 Senate budget also proposes a $2.38M increase for Regional School Transportation (7035-0006) to $99.4M projected to reimburse regions at 80% of the projected entitlement.

1. **Program Changes**

**The FY25 Senate budget has proposed the following funding increases:**

* 1595-0116 Genocide Education Trust is funded in the Senate budget at $3M which is a $1M increase from the FY24 GAA (General Appropriations Act).
* 1596-2436 for Mental Health Systems and Wraparounds is a new account funded at $7.5M.
* 7035-0001 Career and Technical Education is increased by $457K to $3.5M.
* 7035-0035 AP Math and Science is increased by $100K to $3.39M.
* 7061-0029 School & District Accountability Reviews is increased by $207K to $1.59M to fund payroll increases and the costs of annual reviews.
* 7061-9634 Mentoring Matching Grants is increased by $1.25M to $3.05M.7061-9815 Grants for Hate Crime and Bias Prevention is funded at $1M which is a $200K increase from the FY24 GAA.

**The FY25 Senate budget has proposed the following funding decreases or account eliminations:**

* 1595-0035 21st Century Education Trust Fund is reduced by $2M to $1M.
* 1596-2422 Universal School Meals is funded at $170M which is a $1M decrease from the FY24 GAA (7053-1925 and 1594-2422’s combined value).
* 1596-2424 Green School Works is not funded in the Senate budget but $50M appropriated in FY24 will be issued as grants on a multi-year basis in FY25 and beyond in partnership with the MA Clean Energy Center.
* 7010-1194 Financial Literacy Education is not funded in the Senate budget, a $250K reduction from the FY24 GAA.
* 7027-0020 Career and Technical Partnership Grants is funded at $5.38M which is a $360K decrease from the FY24 GAA, post 9C cut.
* 7035-0001 Career and Technical Education is funded at $2.5M which is a $542K decrease from the FY24 GAA, post 9C cut.
* 7035-0002 Adult Basic Education is funded at $59.4M which is a $1M decrease from the FY24 GAA.
* 7035-0035 AP Math and Science is funded at $2M which is a $1.3M decrease from the FY24 GAA, post 9C cut.
* 7061-9406 College and Career Readiness is not funded in the Senate budget, a $875K reduction from the FY24 GAA.
* 7061-9412 Expanded Learning Time Grants is not funded in the Senate budget, a $134K reduction from the FY24 GAA, post 9C cut.
* 7061-9611 After-School Grant Program is funded at $10.7M which is a $240K decrease from the FY24 GAA.
* 7061-9650 Supporting Healthy Alliances Reinforcing Education Grants is not funded in the Senate budget, a $664K reduction from the FY24 GAA.

DESE’s other accounts are level funded in the Senate proposal with either the removal of legislative earmarks and/or changes in FY25 payroll costs.

The attached chart summarizes the FY25 Senate budget recommendations in comparison to our current and prior year’s appropriation history and identifies variances.

The budget process now moves to the Legislature’s Conference Committee for the reconciliation of a final FY25 budget recommendation for presentation to the Governor for review and signature. I will have a further update on the FY25 budget at the June 18, 2024 Board meeting.

Please let me know if you have any questions or concerns.

Attachment