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Towards Equity: School Funding Reform in Massachusetts

By Colin Jones and Roger Hatch

This report describes several pieces of legislation that would update the Massachusetts education funding formula. For a downloadable spreadsheet showing how we project increased foundation budgets and Chapter 70 aid would be distributed across school districts under these pieces of legislation, click [HERE](#).

Massachusetts benefits when all our children receive quality educational experiences in school that allow them to lead successful, fulfilling, and productive lives. Creating an education system where all students can reach success plays a significant role in creating a vibrant democracy and strong economy. Despite the significant progress in the Commonwealth driven by the landmark Education Reform Act of 1993, the success of Massachusetts schools has not reached all our children.

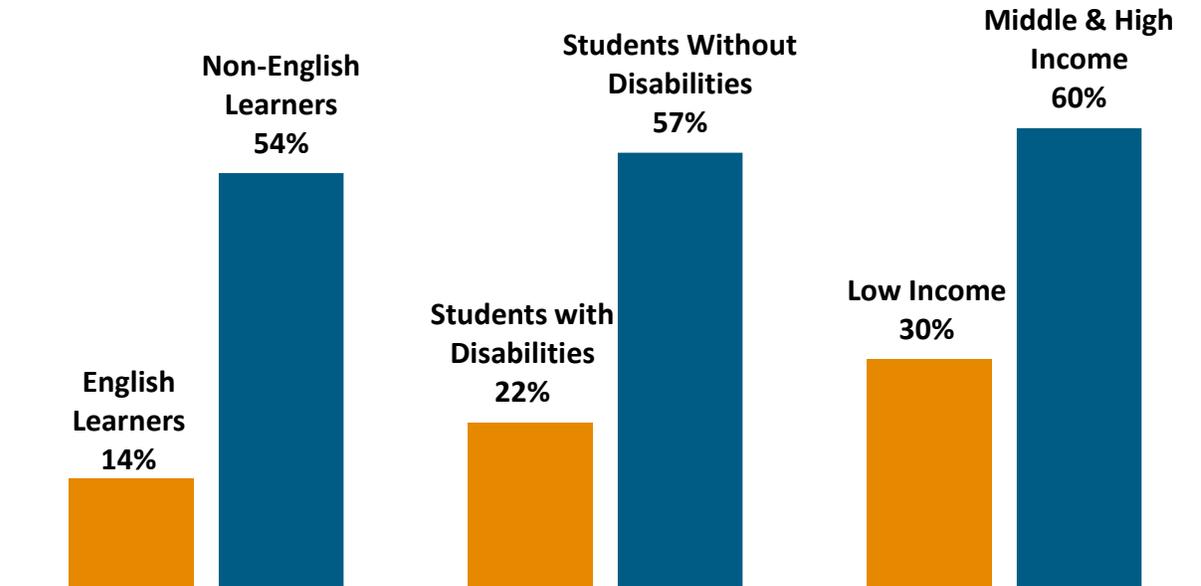
Massachusetts has significant achievement gaps that continue to harm students and these gaps fall along racial, ethnic, wealth, and income lines. Shortcomings in the levels of support provided for low-income students and youth of color are evident based on the 2017 National Assessment of Educational Progress (NAEP, see charts below).¹

Reforms to the school funding formula (also known in Massachusetts as Chapter 70, the state law that authorizes it), like those currently being discussed by the Governor and Legislature, have the potential to address our lack of support for disadvantaged students, build on the legacy of education reform in Massachusetts, and move toward the goal of success for all students.

This report provides a clear understanding of where we stand in this critical debate and examines leading pieces of legislation that have emerged from Governor Baker and the Legislature to address school funding shortfalls. For two of the leading approaches, MassBudget has created multi-year simulations (over seven years) for how this legislation affects each school district across Massachusetts. We compare the two proposals to a seven-year projection with no policy changes.

Massachusetts Has Significant Achievement Gaps for Disadvantaged Youth in 4th Grade Reading

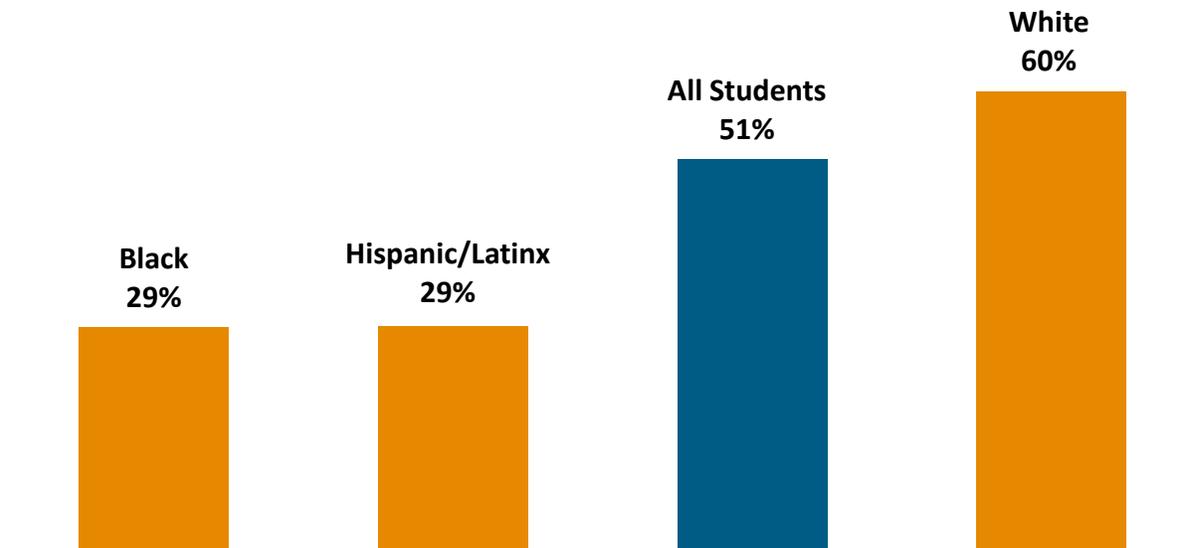
Share of Mass. 4th Graders Proficient on the 2017 NAEP Reading Exam, by Student Category



Source: National Center for Education Statistics, 2017

Massachusetts Has Significant Achievement Gaps for Youth of Color in 4th Grade Reading

Share of MA 4th Graders Proficient on the 2017 NAEP Reading Exam, by Student Race, All Students



Source: National Center for Education Statistics, 2017

The state's definition of adequate spending (called the foundation budget) has not been systematically updated in 25 years, meaning it lacks some of the core essentials schools need (such as teachers and materials) and does not address the particular needs of many low-income communities. Wealthier cities and towns can utilize more ample local tax revenue to fill gaps and provide the full range of academic supports and opportunities necessary for success. MassBudget's reports [Demystifying the Chapter 70 Formula](#) and [Building an Education System that Works for Everyone](#) provide background on the formula at large and discuss these challenges and their implications on schools across the state.

State education leaders worked to create a blueprint for reform in the 2015 Foundation Budget Review Commission (FBRC), which completed its work nearly four years ago. The main FBRC recommendations would address shortfalls in the Chapter 70 formula related to the actual costs of health care and special education, as well as supports for English Language Learners and low-income students.

The details of how reforms are undertaken will have a significant impact on the ability of districts, particularly those serving most low-income students, English Learners, and youth of color to support students towards academic, career, and life success. The FBRC did not outline a single comprehensive plan to address all of these issues. Particularly, on the issue of additional support for low-income students, the FBRC proposed a range of reforms encompassing minor changes all the way to doubling the amount in the formula for each low-income student.² Differences in how to identify and provide support for low-income students accounts for much of the variation in the costs of leading plans for school funding reform.

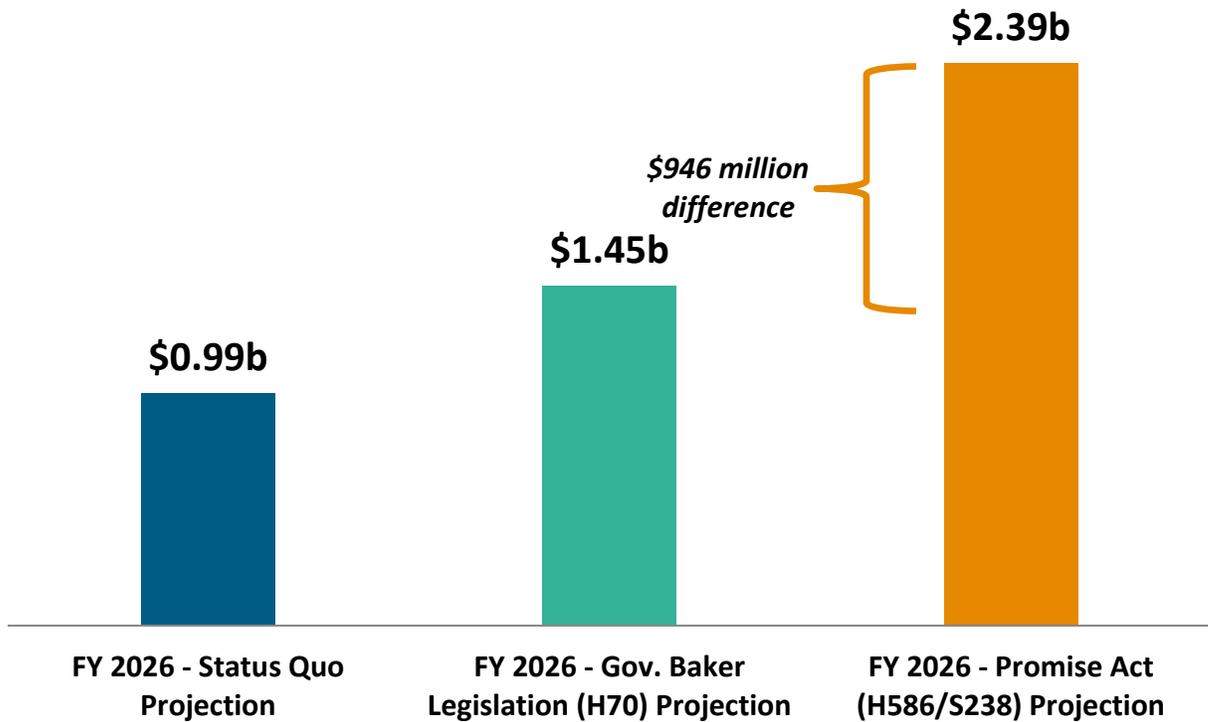
If lawmakers make no policy changes to the education funding formula, school districts would receive an additional \$988.2 million by Fiscal Year (FY) 2026 compared to FY 2019 school aid. Under the Governor's proposal, districts overall would receive an additional \$1.45 billion by FY 2026 (\$459.9 million more than the status quo). Legislation known as the Promise Act would provide districts overall with an additional \$2.39 billion in FY 2026 compared to FY 2019. Projected funding for the Promise Act is \$1.41 billion more than the status quo and \$946.3 million more than Governor Baker's plan by FY 2026 (see chart below).

While a third, prominent bill that originated in the state House of Representatives also includes elements of recommended school funding reforms from the FBRC, it lacks sufficient detail to create a multi-year funding projection for comparison.

While the Legislature's ultimate solution for Chapter 70 reform may differ from these specific proposals as written, understanding their fiscal impact is critical for determining the way forward. See the sections below and the Technical Appendix for a detailed discussion of proposals and their fiscal impacts.

With Policy Changes in Promise Act, Chapter 70 Aid Would Grow \$946M More Than Baker Plan by FY 2026

Statewide Chapter 70 Aid Above FY 2019 Levels in FY 2026, Billions



Status Quo with No Major Policy Changes – Seven Year Simulation

Each year factors in the formula increase the aid that districts receive and the contributions of cities and towns towards education. These factors include changes in student enrollment, local property values and income, inflation, and municipal revenue growth. Additionally, in most years, there is a minimum, extra, per-pupil amount (currently \$30 per-pupil in FY 2019) that all districts receive regardless of the other calculations.³ For the calculations in this report, the added state cost of any reform proposal is the difference between the total cost of the proposal and the aid that would have happened anyway, without any policy changes. See the Technical Appendix for a discussion of each of these fundamental factors used in our simulations.

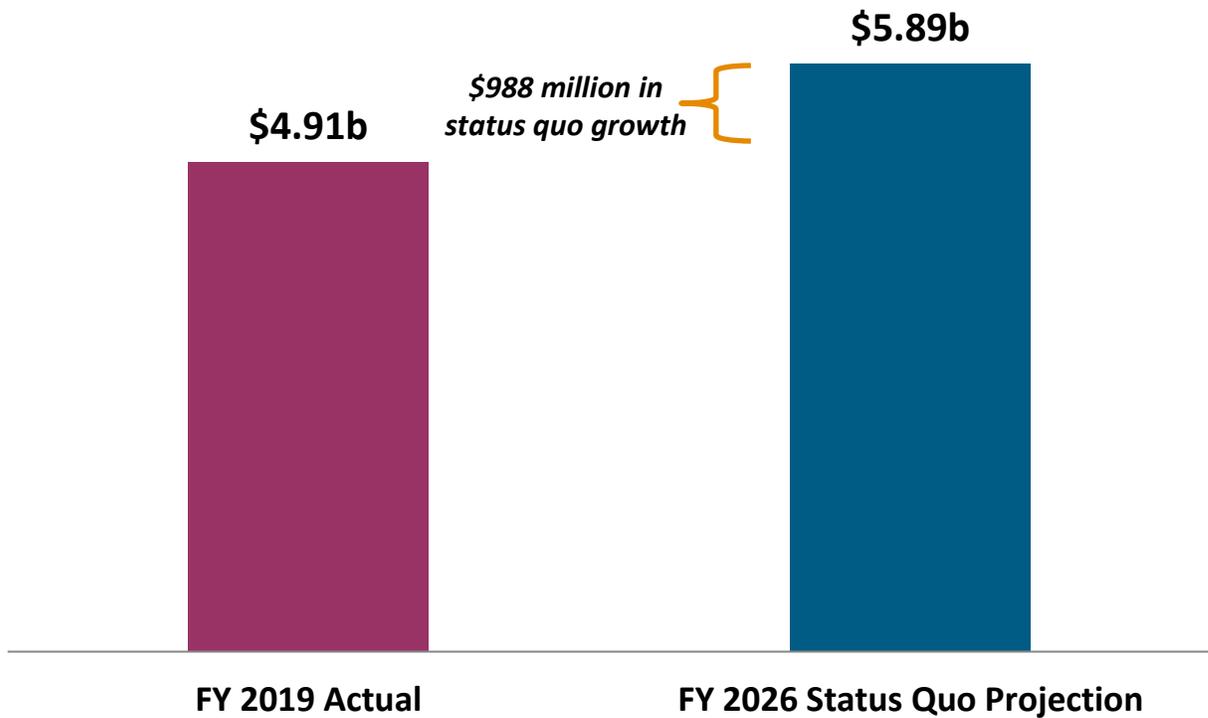
While state leaders in Massachusetts have not yet agreed to comprehensive school funding legislation, state budget language has authorized significant developments in the foundation budget and Chapter 70 aid calculations over the past several years, including movement on some of the FBRC recommendations. As of the current 2018-2019 school year, the FBRC recommendation for increasing additional funding for English Language Learners has been nearly two-thirds completed. Additionally, the increase of health and benefit rates to match the levels in the Group Insurance Commission (also

known as the GIC, the health insurance pool for state workers) has been 30 percent phased in.⁴ FY 2020 budget proposals currently being debated also contain additional, modest steps to implement the FBRC.⁵

If there were no policy changes, Chapter 70 aid would reach \$5.89 billion by FY 2026. This is an increase of \$988.2 million (20 percent) over current levels (see chart below). The spreadsheet [at this link](#) shows how that increased funding would be distributed across districts.

With No Major Policy Changes, Chapter 70 Aid Would Grow \$988M by FY 2026

Statewide Chapter 70 Aid, in FY 2019 and FY 2026, Billions



Act to Promote Equity and Excellence in Education - Governor Baker - Seven Year Simulation

In January 2019, Governor Charlie Baker submitted House Bill 70, “An Act to Promote Equity and Excellence in Education,” to address Chapter 70 funding reform. It also included some proposals outside of the foundation budget, such as charter school reimbursements. Because these charter school reforms are in the budget line item for charter school reimbursements and not in the Chapter 70 formula, their financial impact is not part of the present analysis (including the charts below and the companion spreadsheet). For further detail on this proposal, see the Technical Appendix and [Analyzing the Governor’s Budget for FY 2020](#).

The Governor included several FBRC recommendations in his proposal:

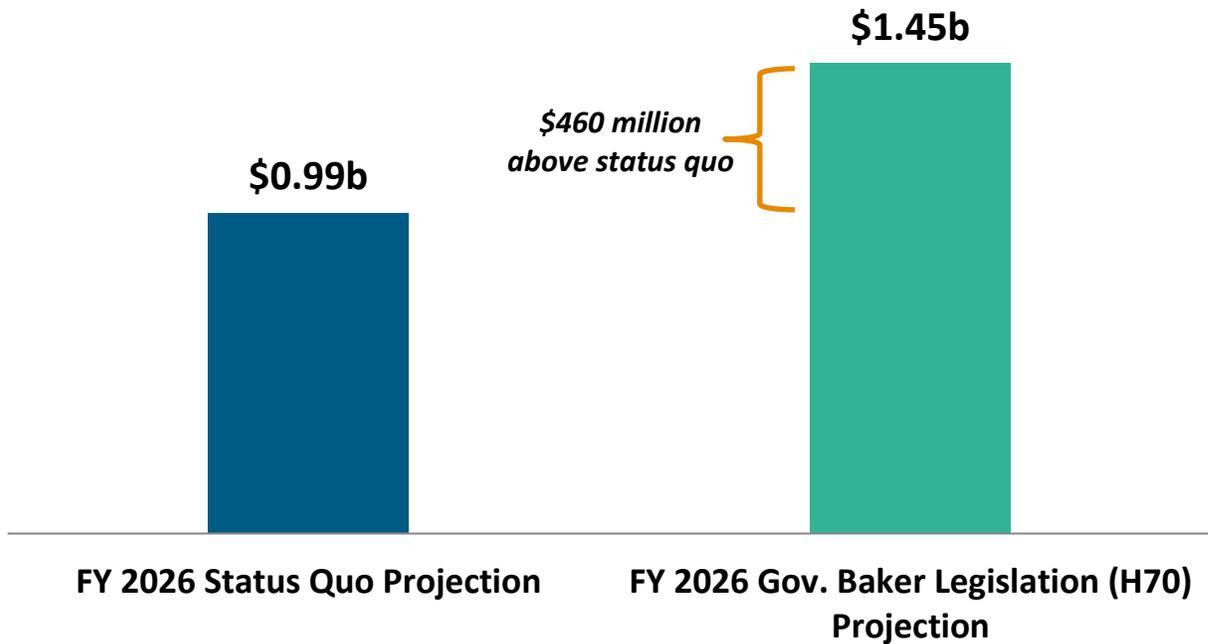
- As recommended by the FBRC, House Bill 70 would increase special education enrollment to 4 percent of total enrollment.⁶ However, counter to the FBRC recommendation, it would leave this rate at 4.75 percent for vocational schools.
- House Bill 70 would raise the rates for additional support for high-needs, special education students to three times the statewide foundation budget. The threshold for the state's special education circuit breaker program, that helps districts cover extraordinary costs for this group of students, is four times foundation.⁷
- To address the undercounting of health care costs in the foundation budget, House Bill 70 would increase the rates in the foundation budget for employee benefits to match the state Group Insurance Commission (GIC) and increase these costs along with the GIC each year.⁸
- The Governor's plan would take a slightly modified approach to English Language Learner (ELL) students compared to the FBRC. The FBRC suggested equalizing ELL rates around the highest current level (for middle school students). On the other hand, House Bill 70 would create greater increases for high school students, to reflect the challenges of providing ELL services for teens.⁹ This would reach \$2,200 for elementary students to \$3,300 for high school.¹⁰ In FY 2020, this would be an increase of roughly 16 percent for elementary and middle school students but up to an 87 percent increase for high schoolers compared to FY 2019.¹¹

As mentioned above, the costs of leading education funding proposals vary because of their different approaches to boosting support for low-income students. Under Governor Baker's proposal, the state would move to a low-income rate between \$3,800 and \$4,600 with the higher rates going to school districts with greater enrollment of low-income kids.¹² There would also be an additional \$180 available for the districts with the greatest concentrations of disadvantaged kids. The maximum low-income increment under this proposal (\$4,800) would be 20 percent more than current levels in 2018-2019. Using current data (FY 2019), low-income students would receive up to about 60 percent extra funding compared to the average student across Massachusetts, close to the minimum level (50 percent) proposed by the FBRC.¹³ This would be less of an increase than the natural growth that would occur if inflation continued for seven years at expected FY 2020 levels (roughly 25 percent).¹⁴

Under the Governor's proposal, districts overall would receive an additional \$1.45 billion in school aid, 30 percent above current levels, and \$459.9 million more than the status quo (see chart below). The spreadsheet [at this link](#) shows how that increased funding would be distributed across districts.

With Policy Changes Proposed By Governor Baker, Chapter 70 Aid Would Grow \$460M Above Status Quo by FY 2026

Statewide Chapter 70 Aid Above FY 2019 Levels, Billions



Promise Act - Senator Chang-Diaz, Representatives Keefe & Vega - Seven Year Simulation

Another leading proposal to update the Chapter 70 formula is the “Promise Act” (House Bill 586/Senate Bill 238, “An Act Providing Rightful Opportunities and Meaningful Investment for Successful and Equitable Education”). This bill was introduced in January 2019 by lead sponsors Senator Sonia Chang-Diaz and Representatives Mary Keefe and Aaron Vega.¹⁵

The Promise Act has some similar components to the Foundation Budget Review Commission and Governor Baker’s plan:

- The Promise Act would increase special education enrollment to 4 percent of all students and would follow the FBRC more closely by going to 5 percent for vocational education students.¹⁶
- In line with the FBRC report, it would increase the rates paid for the highest need special education students to three times the statewide foundation budget.¹⁷
- On health care costs for educators and staff, the Promise Act would also follow the FBRC recommendation to increase rates in the foundation budget to match the state employee GIC

and tie growth to the GIC on an annual basis.¹⁸ The Promise Act interprets the same recommendation about health benefits to be somewhat more costly than the Governor’s proposal.¹⁹

- The Promise Act approach to English Language Learners (ELL) is more uniform across grades and therefore more aligned with the original FBRC proposal. The bill would increase the incremental funding for each ELL student, across all grades, to \$2,500.²⁰ This is close to the current maximum of nearly \$2,400 for middle school students, meaning this would provide equal support across grade levels.²¹

Additionally, the Promise Act would raise minimum aid, the per-pupil amount that all districts are guaranteed regardless of other changes, to \$50 per-pupil by FY 2026. For further details on minimum aid, see the Technical Appendix.

The largest area where the Promise Act diverges from Governor Baker’s plan and the status quo are related to low-income students. The Promise Act would greatly increase the rate of extra support for low-income students in the formula compared to current levels. Under this bill, districts with the fewest low-income students would get an extra amount for each low-income student equal to 50 percent of typical funding (\$3,950 per student in FY 2019). Those with the highest concentrations of low-income students would get an extra amount for each low-income student equal to 100 percent of typical funding (\$7,900 in FY 2019).²² While this would only provide a 9 percent increase for the most affluent districts it would roughly double the amount of extra funding for the highest poverty schools.

While moving to 100 percent additional funding for kids experiencing poverty would be a significant increase, it is in line with school finance research stretching back several decades. Quantitative research has found that reaching equal achievement benchmarks with students in poverty compared to affluent peers would clearly take 100 percent or more incremental funding.²³ In addition, evaluations looking at the specific array of approaches capable of closing achievement gaps — such as a combination of pre-kindergarten, after-school, summer, and wraparound health programs — would cost well over 100 percent of the typical funding each student receives.²⁴ Despite considerable research documenting what it would take to close achievement gaps for disadvantaged students, states across the country, including Massachusetts, have not yet built these findings into their education funding formulas.

Fiscal Impact of the Promise Act on K-12 Funding

Like the Governor’s proposal, the Promise Act contains a provision to address reimbursements for districts’ outgoing tuition related to students attending charter schools. However, in the Promise Act, the provision is included within districts’ Chapter 70 aid calculations, not the separate budget line item. Therefore, the cost of this provision is included in our analysis.

Under the Promise Act, charter schools students would be subtracted from district foundation budgets. This would leave what the Promise Act calls the “district student foundation budget.”²⁵ Districts would then receive the same share in state aid of their “district student foundation budget” that they would have for their overall foundation budget. This amount also factors in charter school reimbursements.

For example, in FY 2019 Worcester — a Gateway City with a large share of disadvantaged students — has a state aid share of 72 percent.²⁶ Under this Promise Act provision, Worcester would get additional Chapter 70 aid to ensure it gets at least 72 percent of its “district student foundation budget” after

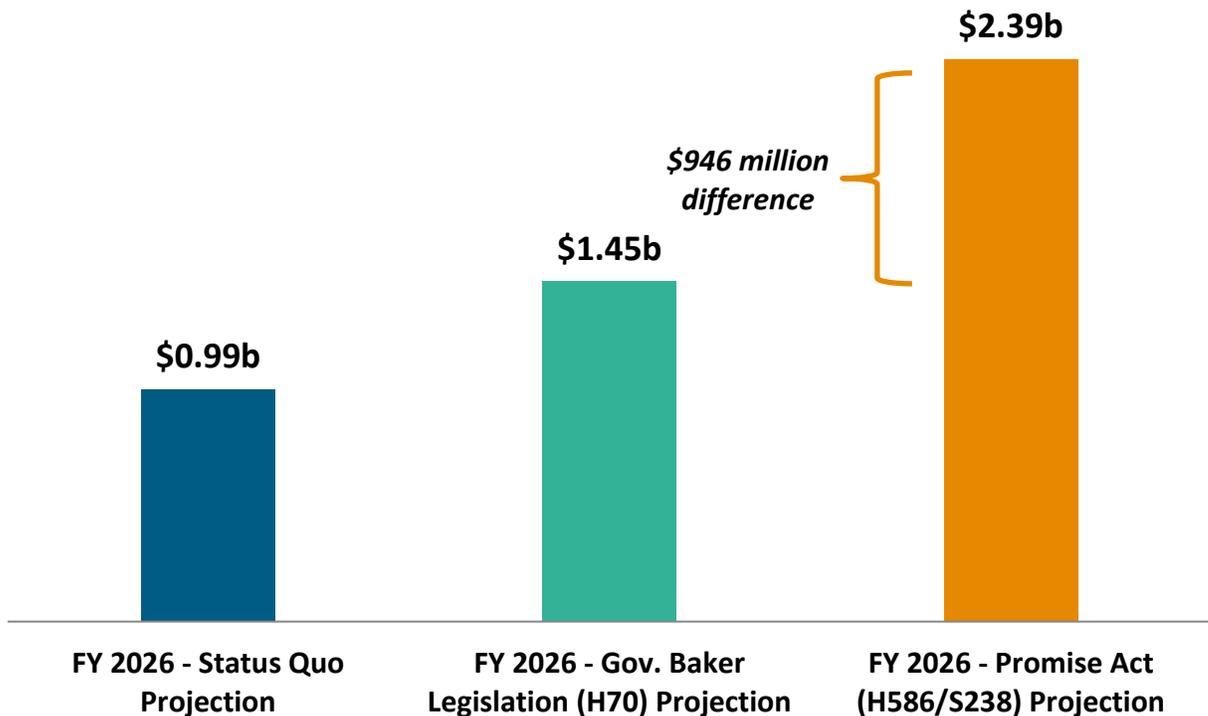
tuition payments were factored in. Through FY 2026, we project Worcester would receive \$834,000 in additional Chapter 70 aid related to this charter school provision.

Across the state, our projection of the Promise Act includes \$121 million in charter-related aid through FY 2026. Because of the unpredictability of charter enrollment, tuition, and reimbursement over time, this projection is a rough estimate based on expected charter enrollment in FY 2020 and current reimbursement levels (\$90 million). For further details on the proposal see the Technical Appendix.

The Promise Act would provide districts overall with an additional \$2.39 billion (49 percent) by FY 2026 compared to FY 2019 school aid. Projected funding in the Promise Act is \$1.41 billion per year (24 percent) above the status quo and \$946.3 million more than Governor Baker’s plan. The spreadsheet [at this link](#) shows how that increased funding would be distributed across districts.

With Changes in Promise Act, Chapter 70 Aid Would Grow \$946M More Than Baker Plan by FY 2026

Statewide Chapter 70 Aid Above FY 2019 Levels, Billions



Adequate Support for and Accurate Identification of Low-Income Students

The Promise Act contains another major change related to low-income students in the Chapter 70 formula –how these students are identified. Since FY 2017, with the expansion of free school meals

programs, Massachusetts has used a process called direct certification to identify low-income students (now called “economically disadvantaged”) for the Chapter 70 formula. This process matches student data with enrollment in state programs such as MassHealth (Medicaid) SNAP/food stamps, foster care, and cash assistance (TAFDC).²⁷

When this shift to a new identification system occurred, there were significant decreases in the number of students identified as low-income.²⁸ First of all, the data matching system did not necessarily pick up all potentially eligible, low-income students. Further, the new low-income threshold was lower than the previous one of 185 percent of the Federal Poverty Level (FPL) – the threshold for reduced-price school meals.

This shift had the potential to jeopardize extra support for kids most in need. In addition to the natural hurdles of implementing any new system, there were a variety of systemic and technical challenges. The process was also affected by the unwillingness or inability of some families to sign up for the public programs included in the data match.

The Promise Act contains a provision that would, in meaningful ways, revert the identification threshold and process back to something similar to the prior system.²⁹ This would include moving the threshold for being counted as low-income to 185 percent of federal poverty level (FPL, roughly \$47,600 for a family of four in 2019).³⁰ Additionally, the bill would give districts the option of certifying income using a traditional form where families declare their income levels. Many districts, particularly those that experienced declines in their low-income student counts, might take this option.

Increasing the threshold for increased funding directed to low-income students back to 185 percent FPL is likely to provide specific benefits to communities of color in Massachusetts. According to census data, 63 percent of kids between 133 and 185 percent of poverty are children of color, compared to 38 percent of all children across Massachusetts.³¹ Additionally, immigrant families who, for a variety of reasons, may be unable to or less likely to participate in public programs, could be more open to providing relevant information to state and local school administrators compared to a broader array of social welfare agencies.

This proposal could also help with several of the challenges of the existing low-income count. For example, kids between 133 percent of poverty, (roughly \$34,300 for a family of four in 2019) and the higher threshold of 185 percent could be more likely to be identified. Many children in families between 133 and 185 percent of poverty face similar challenges to students below that threshold and need additional support to be successful in education.

The process of using school administered forms could also present challenges. Adding a new form could create additional bureaucracy for schools, particularly forms not linked to school meals programs that would still be linked to the data matching process. The added bureaucratic processes would not necessarily be offset by the gains of identifying more students. While schools may have challenges administering an income verification form, they would still need to monitor the quality of the data.

There are several other options the state could use to accurately identify students up to 185 percent of the federal poverty level threshold, or at least estimate the number of students. The state could develop a multiplication factor for simulating the difference between students under 133 percent and 185 percent FPL. However, no single multiplication factor would be accurate enough for every community.

The state could generate district- or region-specific multipliers to better tailor the results. This factor would add an additional layer of complexity to the Chapter 70 formula.

Another possibility would be for the state to employ data from the United States Census Bureau specifically tailored to the task. The Small Area Income and Poverty Estimate (SAIPE) estimates the number of children in each school district area under the 100 FPL threshold, for distributing federal funding to low-income schools.³² While the SAIPE tool has potential for helping the state count low-income kids, one drawback is that it counts all kids in a particular area, not just those attending public schools. Also, unless the Census Bureau were to create a SAIPE estimate for school age kids up to 185 percent FPL, state administrators would have to develop a methodology to take current SAIPE figures and estimate the number of kids at 185 FPL.

While each of these various methods each have their upsides and shortcomings, currently there is no definitive district-by-district account of how many students are under the 185 percent FPL threshold. Because there is no accurate data on the number of kids between 133 and 185 percent FPL, our estimate of the cost of the Promise Act reflects the current low-income count methodology at 133 percent FPL.

Act Relative to Updating the Education Foundation Budget - Representative Tucker

The final leading proposal for addressing education funding reform is House Bill 576 (“Act Relative to Updating the Education Foundation Budget”). This approach was proposed in January by lead sponsor Representative Paul Tucker. This plan provides a five-year implementation schedule (through FY 2024), the fastest among the various proposals.³³

House Bill 576 has much in common with the other proposals and follows the blueprint of the Foundation Budget Review Commission:

- It increases assumed special education enrollment to 4 percent of total enrollment and 5 percent of vocational enrollment.³⁴
- It also increases the out-of-district special education rate to three times per-pupil foundation budget.³⁵
- On health benefits for school employees, H576 would, like the other proposals, increase the rates to match the state employee (GIC) plan. This proposal would specifically use a three-year rolling average of the prior fiscal years’ amounts in the GIC, which could be lower than the Governor’s Proposal and the Promise Act.³⁶
- On English Language Learner (ELL) students, House Bill 576 would also equalize the extra support for ELL students at the current level of \$2,400.³⁷

On the critical issues of low-income students, House Bill 576 follows the Promise Act by defining low-income students at 185 percent of the Federal Poverty Level (FPL). Unlike the Promise Act, H576 does not identify a process (such as collecting a state-administered form) that would be used to certify income levels. As mentioned above, the state does not have a methodology for uniformly identifying

students up to 185 percent FPL. Implementing this provision would be dependent on developing methods to capture this data.

House Bill 576 does not indicate how much additional support each low-income student would receive. H576 sets a minimum of an additional 50 percent of typical spending (\$3,950 in FY 2019) for low-income students in the most affluent districts. It directs the Department of Elementary and Secondary Education to determine amounts for more disadvantaged districts.³⁸ Given the lack of clarity on a central component of the formula in House Bill 576, it is impossible to project the fiscal impact of this proposal if it were implemented.

Towards Equity

The Commonwealth has a once-in-a-generation opportunity to ensure adequate support for all students. Everyone in Massachusetts can gain from school funding reforms like those discussed here that provide significant additional resources to schools across the state. A strong economy and vibrant democracy can be supported by a more robust and equitable Chapter 70 formula. While this is a key moment for reform, it should only be the beginning of inclusive, democratic processes in our schools. With new resources, communities across the state can have greater ability to collaborate and identify the best ways to serve their kids, implement new approaches, and reach aspirational goals.

There are many [positive directions and evidence-based practices](#) communities can pursue to close achievement gaps and boost achievement. This includes areas highlighted in MassBudget's *Roadmap to Expanding Opportunity* project, such as [expanded early education](#), [wraparound social services](#), [effective English Language Learner supports](#), [after-school and summer opportunities](#), and [career-vocational-technical education](#). There is no single approach to addressing the current challenges in our schools. But, together, a comprehensive update to education funding with a significant focus on increasing services to students most in need of support, is a critical waypoint on the path to opportunity.

MassBudget thanks the Nellie Mae Education Foundation for its generous support that helped make this research possible.



Technical Appendix – Seven-Year Chapter 70 Projections

The Chapter 70 formula is cumulative. Each year it uses the previous year’s minimum contributions and aid as a starting point. In order to do a seven-year projection, each of the years must be computed separately, building the base for the subsequent year.

This report contains three sets of projections: a “status quo” without any policy changes, the Governor’s “Equity and Excellence in Education” proposal (House Bill 70), and the “Promise Act” (House Bill 586/Senate Bill 238).

- The **status quo** incorporates past changes to health insurance and English Learners that were made through FY 2019, but makes no further adjustments going forward.
- The Department of Elementary and Secondary Education (DESE) has made available statewide results for the **H70** proposal, and each year’s foundation rates used to arrive at them.³⁹ DESE does not attempt to project enrollment, property valuations, income or wage factors, so its H70 results differ from those published here.
- For each of the factors in the **H586/S238** proposal, the FY 2020 dollar impact on foundation budget is computed. One-seventh of that amount is phased in over seven years, adding inflation. An additional one percent is added each year to the benefits component.

Although the formula itself has many moving parts, the underlying data that need to be projected are limited to a handful of variables:

Enrollment uses a five-year, historical average of each district’s annual change in enrollment, with the latest year being weighted five times more heavily than the first. The H70 projections include a new increment for students in early college and career pathways programs.

Inflation is a federal measure of goods and services purchased by state and local governments. Chapter 70 uses the third calendar quarter (July through September) to arrive at an annual rate of increase to apply to the subsequent fiscal year’s foundation budget. Annual inflation for the third quarter for 2018 stands at 3.75 percent – considerably higher than previous years. The first year of the status quo projection is FY 2020 and it incorporates this known figure, which was used in the proposals put forth by the Governor, House, and Senate. For later years, we computed a weighted historical average of 2.25 percent. This was close to the DESE projection of 2.56 percent so, for comparability purposes, we chose to use that same 2.56 percent figure in all three sets of projections for FY 2021 through FY 2026.

Foundation budgets for each district in the status quo and H586/S238 are the sum of a year’s annual percentage increase in enrollment, plus the inflation rate applied to all districts in a particular year. In the H586/S238 projections, one-seventh of the phased-in factors, inflated annually, is also included. In the H70 projection, we used each year’s rates published by DESE.

The municipal revenue growth factor is calculated annually by the Massachusetts Division of Local Services, and measures how much local revenue growth will be available for schools and other municipal services. These projections use five-year, weighted averages specific to each city and town.

Local property values (equalized valuations) are calculated biennially by the Division of Local Services. In this case, a three-point weighted average was used, measuring the percentage changes between 2012 to 2014, 2012 to 2016, and 2016 to 2018. The percentage change is applied in every other year.

Residential income for each city and town is calculated by the Massachusetts Department of Revenue annually, based upon personal income tax reporting. A five-year weighted average percentage change is used.

Minimum Aid Per Pupil is set at \$30 in the status quo and H70 calculations, except that FY2020 is set at \$20, like the DESE approach. In the H586/S238 proposal, it starts at \$30 in FY2020 and rises by \$3 each year until it reaches \$50 in FY2026.

Effort Reduction is set at 100 percent. FY 2019 was the first time it reached this goal since the “aggregate wealth” methodology was put in place in FY 2007. There is no indication of interest on the part of the Governor or Legislature to step back from full effort reduction.

Key Elements of the Projections

Status Quo

The goal is to measure how much the formula would cost if no further policy changes were implemented. Existing increases for health insurance and English Language Learners are retained in the FY 2019 base. The normal workings of the formula generate aid increases because of changes in enrollment, inflation, and all other factors involved. New proposals should be compared to the status quo to gauge the true dollar impact. Substantial aid increases would occur even if no new initiatives were implemented.

H70 and H586/S238 Proposals

Health Insurance

H70 raises the benefits and fixed charges rate over six years, reaching the target in FY 2025. The target rates are derived from current premiums for active and retired employees provided by the Group Insurance Commission and Massachusetts Teachers Retirement System. An additional one percent is added to the inflation rate for this category.

The H586/S238 proposal uses the health benefit rates stipulated in the legislation to calculate an overall foundation budget increase of \$583 million if fully implemented in FY 2020. One-seventh of that amount – inflated by 2.56 inflation plus an additional one percent – is added to the benefits and fixed costs category each year through FY 2026.

Special Education Out-of-District Rates

The H70 and H586/S238 proposals both set a goal of three times the prior year state average foundation budget per pupil. They both phase this goal in over seven years.

Special Education In-District Rates

The FBRC recommendation was to increase the assumed enrollment percentage from 3.75 percent to 4 percent of foundation enrollment (assuming 25 percent of the child's time is spent in special education instruction, equating to 16 percent of total headcount). The vocational percentage would rise from 4.75 to 5.0 percent.

The H70 projections delay this change until FY 2026. They do not increase the vocational percentage. The H586/S238 projections phase in the change, including the vocational increase, over seven years.

English Language Learners

The H70 projections realign the incremental rate structure to ascend with grade level. In past years they were highest for junior high/middle and lowest for high school. The new rates are \$2,177 for elementary, \$2,721 for junior high/middle and \$3,266 for high school. However, H70 reduces the number of eligible ELL students by removing some 2,500 who have met state exit requirements from this category. The net foundation increase due to these changes is \$21 million, and it is implemented immediately in FY 2020.

The H586/S238 projections also change the ELL rate structure, to a uniform \$2,537. They do not exclude students who have met state exit requirements. The net foundation increase due to these changes would be \$29 million. One-seventh of this amount, adjusted for inflation each year, is phased in over seven years.

Low-Income Students

H70 institutes a more progressive rate structure for districts in the poorest deciles. By FY 2026 the rates range from \$4,370 for the wealthiest decile up to \$5,354 in the poorest. H70 adds an additional category for districts with the highest concentrations of economically-disadvantaged and English Learner students. Altogether, these changes increase the low-income foundation budget by \$130 million plus inflation over seven years.

The H586/S238 projections institute an aggressive increase in rate structure. The legislative language stipulates that the base rate would be 50 percent of the average foundation budget per pupil for pre-k, kindergarten, elementary, middle school, and high school; the highest rate would be 100 percent of that average. By FY 2026, the projected range would be \$5,008 to \$10,017. Although the language defines low-income students as those with family incomes less than 185 percent of the federal poverty level, that data are not currently available. Therefore, these simulations rely upon the current measure, which generally limits eligibility to 133 percent. Even with this limited enrollment data, the H586/S238 proposal increases the low-income foundation budget by \$1.28 billion in FY 2020, one-seventh of which is then phased in annually through FY 2026, adjusted for inflation.

Charter School Tuition & Aid

The Governor's H70 proposal makes significant changes to the Charter Reimbursement formula. It returns to a three-year, 100/60/40 percent schedule for transitional aid. Transitional aid is more closely tied to enrollment growth. And supplemental aid is provided to districts with high charter tuition costs

and relatively low Chapter 70 aid. But these changes do not affect its Chapter 70 proposal and therefore are not reflected in these projections.

The Chapter 70 formula computes a district “target aid” percentage, representing an equitable share of foundation budget to be covered by aid. The H586/S238 proposal ensures this aid will not be negated by charter school tuition. It calculates a new “district student foundation budget” that excludes charter school pupils. After accounting for charter reimbursements, it ensures that the amount of aid available for the remaining local district students will equal no less than the target share of the district student foundation budget.

The projections use DESE projected FY 2020 charter foundation budgets, tuition, and reimbursements for each year through FY 2026. Charter tuition is likely to rise, along with foundation budgets, but the tuition increase will likely be partially offset by reimbursements.

Example – Town of Hudson FY 2020 calculation

Hudson, FY2020 district student aid increment			
a	FY20 foundation budget	29,766,079	
b	FY20 projected charter foundation budget	1,396,875	
c	District student foundation budget	28,369,204	a-b
d	target aid share FY2020	39.26	
e	district student aid floor	11,137,749	c*d
f	C70 base aid	11,940,706	
g	FY2020 foundation aid increase	81,587	
h	minimum aid increase to reach \$30 pp	6,127	
i	total C70 aid before charter increment	12,028,420	f+g+h
j	FY2020 projected charter reimbursement	160,858	
k	total aid plus charter reimbursement	12,189,278	i+j
l	FY2020 projected charter tuition	2,038,489	
m	aid net of charter tuition	10,150,789	k-l
n	district student aid increment	986,960	e-m
o	one-seventh of full increment	140,994	n/7
p	total FY2020 Chapter 70 aid	12,169,414	i+o

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