



- > [Finance Home | News](#)
- > [Accounting & Auditing](#)
- > [Chapter 70 Program](#)
- > [Charter Schools](#)
- > [Circuit Breaker](#)
- > [Educational Collaboratives](#)
- > [ESE Budget](#)
- > [Grants/Funding Opportunities](#)
- > [Nutrition Programs](#)
- > [Regional Districts](#)
- > [School Building Issues](#)
- > [School Choice](#)
- > [School Finance Regulations](#)
- > [Spending Comparisons](#)
- > [Transportation](#)
- > [Chapter 74 Nonresident Tuition](#)
- > [School Finance Contacts](#)
- > [Links](#)

School Finance: Chapter 70 Program

FY18 Chapter 70 Aid and Required Contribution Calculations

Chapter 70 is the Commonwealth's program for ensuring adequate and equitable K-12 education funding. It determines an adequate spending level for each school district (the foundation budget). It then uses each community's property values and residents' incomes to determine how much of the foundation budget should be funded from local property taxes. Chapter 70 state aid pays for the remaining amount.

Summary of how the formula works

A **foundation budget** is calculated for each school district, representing the minimum spending level needed to provide an adequate education. The foundation budget is adjusted each year to reflect changes in the district's enrollment; changes in student demographics (grade levels; economically disadvantaged status; English language proficiency); inflation, and geographical differences in wage levels. A description of how foundation budgets are calculated is available at

  A description of how foundation budgets are calculated

The inflation adjustment for FY18 foundation budgets is set at 1.11 percent, in accordance with the Chapter 70 statute, which stipulates usage of the ratio of the current year's third-quarter inflation index (2016 = 114.251) to the prior year's third-quarter index (2015 = 113.000). Enrollment increased from 940,103 in FY17 to 941,303 in FY18, a 0.13 percent increase. 56 percent of districts saw enrollment decline by as much as 16 percent. 44 percent of districts saw increases of as much as 30 percent.

The total statewide foundation budget increased from \$10.128 billion in FY17 to \$10.379 billion in FY18, a 2.48 percent rise.

A **target local contribution** establishes an ideal goal for how much each city and town should contribute toward its foundation budget, based on the municipality's wealth. Two measures of municipal wealth are used: aggregate property values and aggregate personal income, with each given equal weight. The target is recalculated each year based upon the most recent income and property valuations.

The target calculations assume that local contributions in total should cover 59 percent of the statewide foundation budget (**target local share**), with state aid covering the remaining 41 percent (**target aid share**). The target local share and target aid share for any individual city or town will vary in proportion to the municipality's wealth. The target calculation also includes a **maximum local share** of 82.5 percent, thus ensuring that all communities will get some minimum amount of state funding.

The **required local contribution** for each municipality is based on the previous year's required contribution, and includes some transition factors so that the shift toward the target levels occurs over a period of several years.

- Municipalities whose local contribution requirements are now higher than their targets will see a reduction in the requirement of 85 percent of the amount above the target.
- Municipalities whose local contribution requirements are now lower than their targets will continue to see their requirements increased by the municipal revenue growth factor. If they are more than 2.5 percent below their target, an increment of either 1 or 2 percent will be added to their growth factor.

In FY18, the **Chapter 70 aid** calculation begins with each district's FY17 Chapter 70 amount. If the sum of that amount and the required local contribution is less than the district's foundation budget, then foundation aid is added to cover the gap.

Target contribution calculations

- Determine the state-wide target local contribution level. Fifty-nine percent of the statewide foundation budget of \$xx billion amounts to a total target local contribution of \$xx billion. For FY18, the **property percentage** is set at 0.3550%, which is applied to each municipality's 2016 aggregate equalized property valuation. The **income percentage** is set at 1.4248%, which is applied to each municipality's aggregate total personal income, as reported to the Department of Revenue by local residents for the 2014 calendar year. When these two factors are applied statewide, they yield a total local contribution of \$7.857 billion with half (\$3.928 billion) coming from the property percentage and the other half from the income percentage.
- Apply the property percentage and the income percentage to each individual municipality's aggregate property valuation and income, which determines the municipality's **combined effort yield**. Some municipalities have so much wealth, or a small enough student population, that their combined effort yield is excessive. The **maximum local contribution** is set at 82.5 percent of foundation budget, which means that the formula would fund a minimum of 17.5 percent of foundation through state aid, even for the wealthiest communities. In FY18, 147 communities are assigned this maximum contribution. A municipality's **target local contribution** is the lesser of the combined effort yield and the maximum local contribution. The total target local contribution for all municipalities, after taking into account the 82.5 percent cap, equals 59 percent of statewide foundation budgets, or \$6.123 billion.
- A city or town's target local share presents the target local contribution as a percentage of its municipal foundation budget.

Calculation of the FY18 increments toward the targets

- Increase (or decrease) the city or town's FY17 required local contribution by the **municipal revenue growth factor (MRGF)**. The MRGF has been calculated each year since FY94 by the Massachusetts Department of Revenue, and quantifies the most recent annual percentage change in each community's local revenues (such as the annual increase in the Proposition 2½ levy limit) that should be available for schools. The state average MRGF is 4.19 percent. The result of applying the MRGF to the FY17 required contribution is the FY18 **preliminary local contribution**.
- If the preliminary local contribution is **greater than** the target local contribution, then the difference is called **excess local effort**. In FY18, 291 or 83 percent of the 351 cities and towns have a total of \$151 million in excess local effort. For each of these communities the preliminary local contribution is reduced by 85 percent of their excess effort to arrive at the FY18 **required local contribution**.
- If the preliminary local contribution is **less than** the city or town's target local contribution, an additional increment may augment the preliminary contribution. If the community is more than 7.5 percent below its target, the increment is 2 percent of the FY17 local contribution. If it is between 2.5 and 7.5 percent, the increment is 1 percent. If it is less than 2.5 percent, there is no additional increment. In FY18, 60 cities and towns have preliminary contributions that are below target, by \$103 million. Those who fall below by more than 2.5 percent are required to make additional increments totaling \$3.6 million to get closer to their effort goals.
- Most cities and towns belong to at least one regional school district. Some operate a local district and are members of as many as three regional districts. A municipality's total contribution is apportioned among the various districts to which it belongs, based on each district's share of the total foundation budget for all of the municipality's students.

Calculation of aid

- The aid calculation begins with each district's FY17 Chapter 70 amount.

- The difference between each district's foundation budget and its required contribution equals **foundation aid**. 97 operating districts receive increases over FY17 through this calculation.
- Each district is guaranteed to receive at least \$30 per pupil in additional Chapter 70 aid. 235 operating districts receive aid through this calculation.

Net School Spending Requirements

Each district must spend the sum of its required district contribution and its Chapter 70 aid. This sum is referred to as the "net school spending requirement."

Last Updated: July 18, 2017

[E-mail this page](#) | [Print View](#) | [Print Pdf](#)