

What is Net School Spending?

I. Three Components

- A. A foundation budget calculated for the district representing *minimum* spending needed. Adjusted annually to reflect changes in enrollment, demographics, inflation, and geographical wage differences.
- B. A local contribution or local appropriations *required* to meet net school spending.
- C. Chapter 70 Aid is the share of the foundation budget funded by the state.

II. The Foundation Formula

- A. Required Net School Spending = Local Contribution + Chapter 70 Aid.
- B. Required Net School Spending = Foundation Budget.

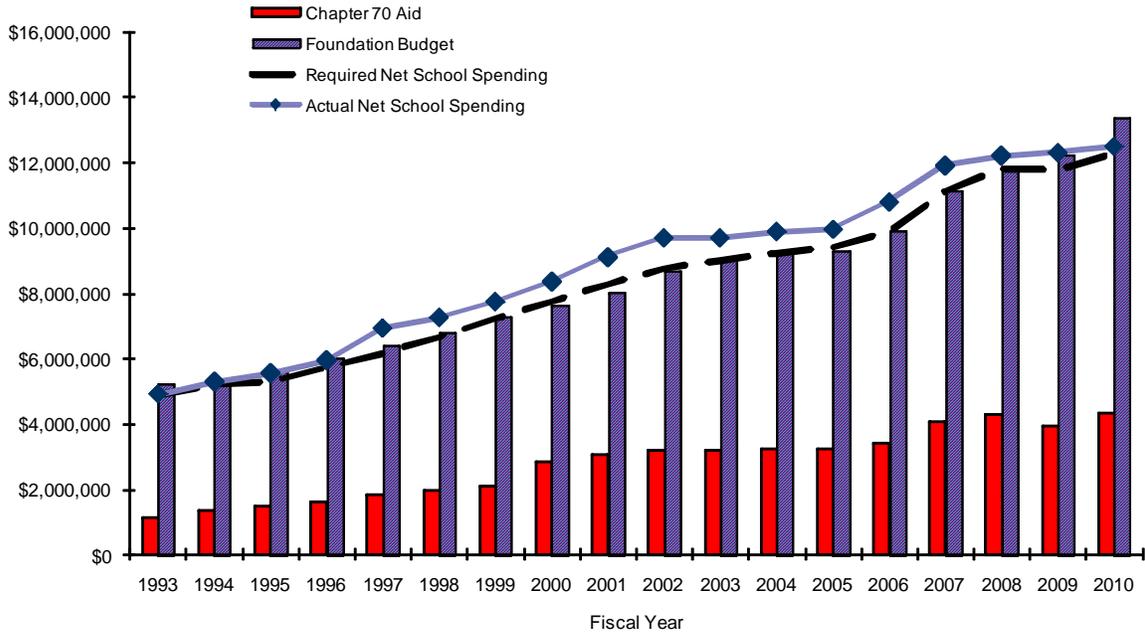
III. The Concepts

- A. Foundation Enrollment – the number of students Georgetown is responsible for educating financially as of October 1 each year.
- B. Foundation Budget – increases or decreases based upon the foundation enrollment and the inflation factor used by the state.
- C. Local Contribution is calculated by increasing the previous year's contribution by the Municipal Revenue Growth factor and adjusting this number based upon Georgetown's ability to pay, the latter based on the state's aggregate wealth model.
- D. Municipal Revenue Growth Factor is Georgetown's percentage increase in local revenues from one year to the next as calculated by the Department of Revenue.
- E. The Aggregate Wealth Model looks at both personal income wealth statistics and property wealth statistics in Georgetown.

IV. Actual Net School Spending includes all funds expended by the School Committee via the budget, grants, and other funds as well as certain town expenditures, excluding certain types of expenditures such as transportation, adult education, and long-term debt.

Georgetown Public Schools - Net School Spending

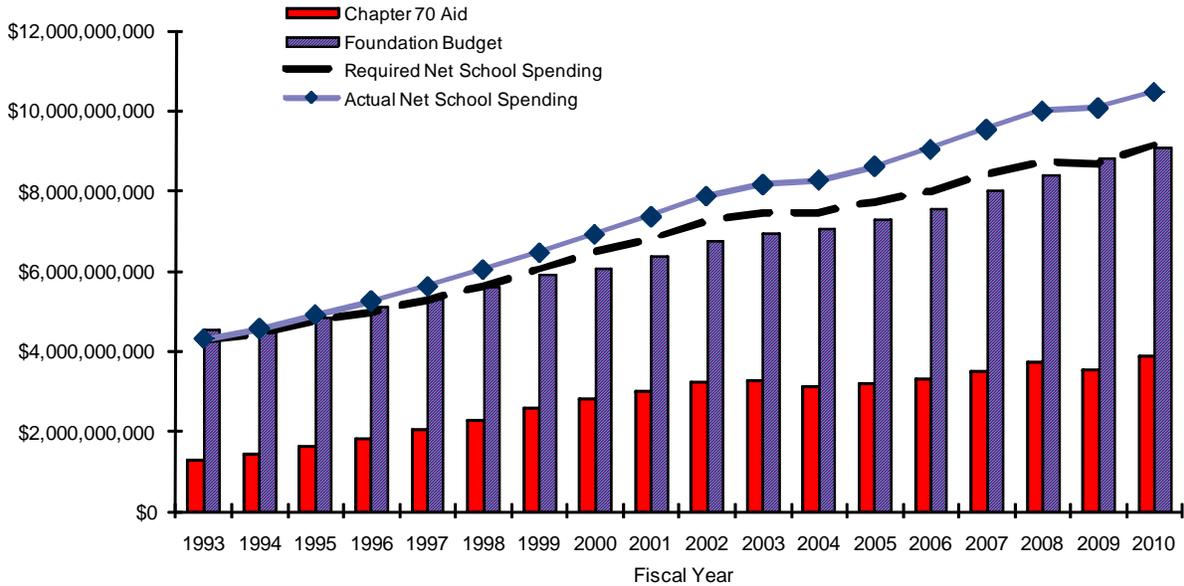
The below graph shows the Georgetown Public School's Net School Spending trends:



This compares with the state figures below:

Chapter 70 Trends, FY93 to FY09

STATE TOTAL

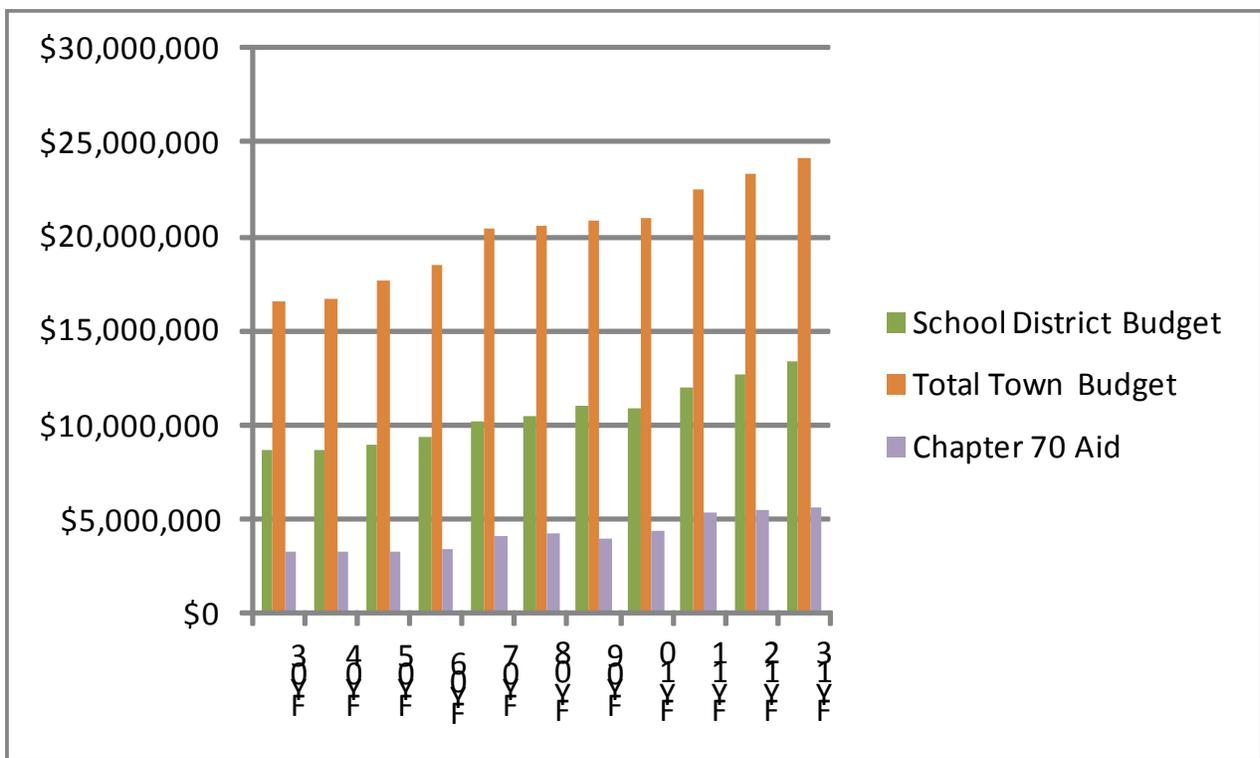


FY10 actual net school spending represents the amount budgeted

Georgetown Public Schools - Net School Spending

Historically, the Georgetown Public School budget has remained at approximately the same percentage of the overall town budget (51% to 53%) while Chapter 70 Aid has increased steadily (37% in 2003, 41% in 2008) until the State of Massachusetts began experiencing its own revenue shortfalls in fiscal year 2009 (last year).

Medium term projections suggest that the school budget may increase as a percentage of the overall town budget, but that Net School Spending Requirements will drive that increase. There will also be some increases in Chapter 70 revenue to support this growth. A 3% growth factor has been used. The current growth factor used by the state is slightly over 4%, it has been as high as 6%.



Legal Requirements for Actual Net School Spending

Chapter 70: Section 11. Excess funds; application to following fiscal year

Section 11. If in any fiscal year a district's actual expenditure for public education is less than the amount required to be appropriated for public education pursuant to this chapter, the difference, up to 5 per cent of the amount required to be appropriated, shall be spent for public education in the following fiscal year; provided, however, that any unexpended funds, whether appropriated to the school committee account or to town accounts for expenditure to meet public education costs, shall be deemed reappropriated for public education in the following year without further action by the appropriating authority; provided, further, that the amount of state school aid for the following fiscal year shall be reduced by the amount said difference exceeds 5 per cent of the amount required to be appropriated; and provided, further, that in any year in which additional money is required to be spent due to a spending deficiency in the prior year, if a district fails to spend the carried forward amount or under-spends its current year budget by more than 5 per cent of the amount required to be appropriated for that year, state school aid in the following year shall be reduced by the entire difference between those amounts. The board shall promulgate regulations to enforce the provisions of this section.

CRM 603 10.06: Annual School Spending Requirements

(1) The Commissioner of Education shall determine each school district's actual net school spending in the prior fiscal year and the estimated net school spending in the current year from information contained in the End-of-Year Pupil and Financial Report.

(2) The sum of the following expenditures for public education from local revenues and M.G.L. c. 70 school aid, reported in accordance with 603 CMR 10.04 and 10.05 and the guidelines for reporting student and financial data published by the Department, shall be considered a school district's annual net school spending for purposes of determining compliance with the requirements of M.G.L. c. 70:

- (a) district and school site administrative services and materials
- (b) student instructional services, materials and equipment
- (c) student support services; including attendance, health services, food services (not including the cost of food), and school security
- (d) student activities; including athletics, performance groups and clubs
- (e) operation and routine maintenance of school facilities and equipment
- (f) extraordinary maintenance of school facilities
- (g) health insurance and retirement contributions for current school district employees
- (h) non-employee insurance
- (i) rental or lease of land, buildings, or building space for student instruction or school administration purposes for a period not exceeding three years
- (j) interest on short term borrowing in anticipation of revenue to fund current year operating expenses, except in a year when state aid payments to the district or municipality have been delayed or forfeited for failure to comply with student or financial data reporting requirements;

(k) tuition and related charges for students attending other public schools, collaborative programs, or private schools by agreement of the school committee or assignment by a state agency;

(l) assessments, minus any reimbursements, for school choice and charter school students attending schools outside the district;

(m) the cost of health insurance for retired teachers in a school district where such costs were considered by the Department to be part of the district's net school spending in fiscal year 1994.

(3) In calculating actual or estimated net school spending, a city, town or regional school district's total expenditures for the items specified in 603 CMR 10.06(2) shall be reduced by the school district or municipality's general fund receipts for tuition received for students attending the district's schools, earnings on investments by the school district, rental fees for the use of school district facilities, insurance reimbursements for services provided to students in the district's schools, and any other general fund revenues generated by the school district available to support current year operating expenses.

(4) The Department shall compare each school district's net school spending in the prior fiscal year with the net school appropriation required by M.G.L. c. 70, § 6 to determine the district's compliance with M.G.L. c. 70 net school spending requirements. For the purposes of this calculation, actual expenditures in the prior year by municipal departments other than the school department for school district purposes shall be used for the following expenditure categories: school district employee retirement and insurance programs, interest on short term borrowing in anticipation of revenue to fund current year operating expenses, tuition payments on behalf of resident students, and assessments for charter school and school choice students. Estimated expenditures by municipal departments other than the school department shall be deemed to be the actual expenditures in all of the other categories in which municipalities are permitted to report expenditures pursuant to 603 CMR 10.05.

(5) The Commissioner of Education shall, within 30 days after receipt of a district's End-of-Year Pupil and Financial Report, notify the school district superintendent and municipal officials of any prior year spending deficiency and resulting expenditure obligation carried forward into the current fiscal year pursuant to M.G.L. c. 70, § 11. In such instances, any funds remaining in the school district's account at the close of the fiscal year shall be reserved by the municipal accountant or regional school treasurer and shall be made available to the school district without further appropriation. If the amount of the prior year's net school spending deficiency is greater than the amount of the school district's unspent funds available to be carried forward, an amount sufficient to meet the carried forward spending obligation must be appropriated by the municipality or municipalities responsible for the financial support of the school district.

(6) If, in any fiscal year, a district's actual expenditures for public education are less than the amount required under M.G.L. c. 70 taking into consideration any permitted carry-forward, the Department shall direct the Commissioner of Revenue to reduce the district's state school aid distribution by the amounts set forth in M.G. L. c. 70, § 11. When a deduction is so taken, there shall be no corresponding reduction in the district's net school spending requirement for the current year.

Formal Agreements

The Department of Elementary and Secondary Education strongly encourages towns and school districts to develop formal cost allocation agreements. Both the Board of Selectmen and the School Committee must agree to such an agreement; neither body can impose an agreement on the other.

These “Schedule 19” or Chargeback” agreements generally do more than simply list expenditures; they also define how the allocation is calculated.

Some of the typical expenditures included are:

- School employee Health Insurance paid by the town.
- School employee Dental Insurance paid by the town.
- School employee Life Insurance paid by the town.
- School employee Retirement paid by the town.
- A portion of Property, Casualty, and Liability insurance paid by the town.
- A percentage of certain Town employees are sometimes allocated to Net School Spending.
- If the town takes care of trash hauling and recycling, a portion of this may be charged.
- Other allowable operational expenditures may be part of the agreement.