



Massachusetts Department of Elementary and Secondary Education

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Advisory Memorandum on FY21 Regional School District Budgets

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On July 31, 2020, the School Finance Office posted "FY21 Administrative Update on FY21 Chapter 70 Aid and Net School Spending Requirements" (FY21 Administrative Update) to provide updated information on the Chapter 70 requirements for local budget planning and fiscal management. Please see excerpt below and information about this action as well as the new Chapter 70 state aid and minimum local contributions at:

<http://www.doe.mass.edu/covid19/finance-hr/chapter70-admin-update.html>.

While critical information from the federal government is still needed in order to finalize a full fiscal year budget for the Commonwealth, the Baker-Polito Administration and the Legislature on July 31, 2020 committed to funding no less than the FY2020 level of funding for Chapter 70 education aid as a baseline amount for FY2021 funding.

This funding commitment includes Chapter 70 increases for inflation and enrollment that will keep all school districts at foundation, under the law as it existed for FY2020, providing an additional \$107 million in aid or 2.1% over FY2020, increasing total funding from \$5,176,002,652 to \$5,283,313,579.

Impact on Regional School District Budgets

As a result of this action, the Chapter 70 state aid and required local contributions for cities and towns that are members of regional school districts differ from the preliminary estimates published in January 2020. Due to the timing of this action, many regional school districts may have an approved budget based on the January preliminary estimates, while others that have not yet secured a locally approved budget due to COVID-19 may still be using the January 2020 estimates as they continue to work with their member municipalities to secure an approved district budget.

Neither the statute ([M.G.L. c.71, §16B](#)) nor the regulations ([603 CMR 41.05](#)) governing regional school district budgets explicitly deal with this situation. This advisory is an update to previous guidance, initially developed in 2009 in consultation with the associations, local officials, and other cognizant state agencies, with the goal of minimizing disruption and uncertainty for regional school districts and their member municipalities.

Guidance for regional school districts without an approved budget

If your district does not yet have a budget approved by your member municipalities, your regional school committee **must** take immediate action to adopt and certify a revised budget, with assessments calculated based on the FY21 Administrative Update. Member municipalities will need to use the revised school committee budget and assessments as the basis for their request to their local appropriating authorities for consideration. If a warrant has already been issued for a regular or special town meeting to consider the previously adopted budget, that meeting can still be held to consider the revised budget. If necessary, the district should arrange with the town's select board and finance committee to have the updated calculations substituted for the original request through an amendment introduced from the floor at the meeting. The process and requirements for member municipality approval of the school committee's proposed budget remain unchanged. They are set out in the regulations governing regional school district budgets ([603 CMR 41.05](#)). Districts currently under a 1/12th budget should follow these regulations and previous [guidance](#) concerning the 1/12th budget process for FY21 (with the now-current updated figures in the FY21 Administrative Update) as they continue to work toward securing a locally approved budget.

Guidance for regional school districts with an approved budget

If the member municipalities of your district have already approved a FY21 budget, and if the approved assessment for each member municipality exceeds the revised required contribution for that municipality, then in our opinion that budget remains valid and in force. There is no specific language in either the regional school district statute or regulations that would invalidate previously approved budgets that meet net school spending requirements. In such cases, the school committee **may** choose to propose an amended budget with recalculated assessments based on the FY21 Administrative Update, but it is not required to do so.

School committees that elect to amend their budgets for the purpose of updating the assessment calculations, following a 2/3 affirmative vote, must submit the amended budget to the member municipalities for approval by their local appropriating authorities. In addition to the normal 2/3 approval requirement, the statute ([M.G.L. c.71, § 16B](#)) also specifies that **no** member's assessment may be increased without its approval. In other words, if a city or town has a higher proposed assessment under the amended budget, and if that member does not approve the amended budget, the district cannot enforce the payment of that higher amount even if the amended budget is approved by 2/3 of the member municipalities. For this reason, as well as the time and expense required to convene special town meetings, we expect that many regional school committees may elect not to amend their budgets.

If the previously approved assessment for any of your member municipalities is less than the revised required contribution for that municipality, the district budget remains in force, but remedial action may be required. Regional school districts **must** contact the Department's Office of Regional Governance (see contact information below) to report this situation and receive further guidance. Because assessments exceed required spending in most regional

school districts, we expect this will be a rare occurrence.

Finally, if your district has an approved budget that is significantly out of balance, either because of the change in Chapter 70 aid, or for any other reason, the school committee should review the budget and determine the most appropriate course of action. Possible options include:

- *Reduce the budget.* This requires a 2/3 vote of the school committee but does not require the approval of the member municipalities, assuming no changes are made to the previously approved assessments.
- *Increase assessments.* The school committee may, by a 2/3 vote, propose an amended budget with higher assessments, but as noted above, a member's previously approved assessment cannot be increased without its approval. In effect, this will require a unanimous vote of all the appropriating authorities of the member municipalities, making it an impractical option for most districts.
- *Use available funds.* Many districts have available balances in special funds such as the circuit breaker account, the school choice revolving account, or other special revenue funds. As appropriate and allowed by law, planned general fund expenditures may be shifted to these special funds, allowing a corresponding reduction in the general fund budget.
- *Use available Excess and Deficiency (E&D) funds.* Districts with available, certified E&D funds may elect to amend their budgets to use those funds as an additional revenue source to support the previously approved spending level. This requires a 2/3 vote of the school committee but does not require the approval of the member municipalities, as it neither increases the amount of the budget nor does it increase the members' assessments. If districts have not included E&D in their budgets prior to July 1, 2020 they must wait until the Department of Revenue certifies their FY20 E&D as of July 1, 2020, in order to consider using this funding source.

Districts whose operating budgets are out of balance by nominal amounts may elect to take no action at this time, with the expectation that reductions in spending can be achieved through the course of the year to offset the projected revenue deficit. Note that any deficit remaining at the end of the fiscal year will be closed to the E&D account, reducing the available fund balance in that account.

If you need additional information or assistance from DESE on these issues, please contact Michelle Griffin (781-338-6515 or Michelle.L.Griffin@mass.gov) or Christine Lynch (781-338-6520 or ChristineM.Lynch@mass.gov) in the Office of Regional Governance.