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Informational Guideline Release

Technical Assistance Bureau
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ANNUAL FISCAL YEAR WAIVERS TO EDUCATION REFORM SPENDING REQUIREMENTS AND MINIMUM REQUIRED LOCAL CONTRIBUTIONS

G.L. c. 70, § 6A

This Informational Guideline Release (IGR) informs local officials of the guidelines that allow cities and towns, under certain circumstances, to lower their current minimum required contributions to local and regional schools under the Education Reform Act.

Topical Index Key:

Schools

Distribution:

Mayors/Selectmen
Regional School Superintendents

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G.L. c. 70, § 6A

SUMMARY:

These guidelines explain the annual process to seek waivers from education reform spending requirements and minimum required local contributions under G.L. c. 70, § 6A.

The Department of Revenue (DOR) may adjust municipalities' minimum required local contributions, as defined in G.L. c. 70, § 2, to local and regional schools. Municipalities have the opportunity to apply for a waiver if they meet any one of the following criteria. These criteria are described in greater detail in Sections A-1 through A-4 of these guidelines.

- In the prior fiscal year, a municipality used qualifying revenues that are not available for use in the current fiscal year to support municipal operating expenditures.
- In the current fiscal year, a municipality uses revenues to support extraordinary, non-school related expenses that did not have to be funded in the prior fiscal year.
- A municipality's current fiscal year municipal revenue growth factor is one and a half times the statewide average for that fiscal year and is deemed to be excessive. The qualifying factor for the current fiscal year will be announced by DOR in a *Bulleti*n to be issued annually with directions for submitting that year's waiver application.

A municipality may seek a waiver based on these criteria through a request to the DOR by the selectmen in a town, the city council in a Plan E city or the mayor in all other cities. Relief granted on the basis of the three criteria will be allocated proportionately among a municipality's local school district and all the regional districts to which it belongs.

Criteria for another type of waiver, to be requested by regional school districts, are also described in Section A-4 of this IGR. In this case, upon the request of a majority of its member municipalities, a regional school district that used qualifying revenues in the prior fiscal year that will not be available for use in the current fiscal year must apply to the DOR for an adjustment of its net school spending requirement and corresponding adjustments to the minimum required local contributions of its members.

Minimum contributions recalculated based on the criteria described in this IGR will be certified to the Department of Elementary and Secondary Education (DESE).

TECHNICAL ASSISTANCE BUREAU **ZACK BLAKE, CHIEF**

Any waiver of a municipality's minimum required local contribution to a regional school district (based on Sections A-1 through A-4 of these guidelines) must be approved by the selectmen in a town, the city council in a Plan E city or the mayor in all other cities, in a majority of the member municipalities, if the regional school budget has already been adopted by two-thirds of the member municipalities. Upon approval by a majority of the member municipalities, the regional school committee must adjust assessments to its members in accordance with recalculated minimum contributions.

Municipalities and regional school districts seeking adjustments based on any of these four criteria must apply in writing to the DOR. Applications may be submitted beginning in July and must be postmarked **by October 3** in accordance with the instructions provided in the annual *Bulletin* issued by DOR.

GUIDELINES:

A. Criteria and Data Requirements for Waivers

1. Use of One-time Revenues in the Prior Fiscal Year

A community will be eligible for consideration for a revenue waiver if qualifying revenues used to support the prior year's operating budgets are not reasonably projected to be available in the current fiscal year. Qualifying revenues may include free cash, stabilization fund, overlay surplus and other available funds.

Data Required: A balance sheet for the prior fiscal year for free cash certification and Form B-2 (detailed listing of sources and uses of available funds appropriated to date) and page 2 (actual or estimated to date) from the current fiscal year tax recapitulation sheet.

2. Extraordinary Non-school Expenditures in the Current Fiscal Year

A community will be eligible for an expenditure waiver if it must use revenues to fund extraordinary non-school related expenses in the current fiscal year that it did not have to fund in the prior fiscal year. Extraordinary non-school related expenses include, but are not limited to, court judgments and operating deficits.

Data Required: A balance sheet for the prior fiscal year and a letter from the municipal accounting officer certifying any extraordinary amounts to be raised in the current fiscal year and page 2 (actual or estimated to date) from the current fiscal year tax recapitulation sheet.

3. Excessive Current Fiscal Year Municipal Revenue Growth Factor

A community is not eligible for a growth factor waiver unless its municipal revenue growth factor is greater than or equal to one and one-half times the state average and it is deemed to be excessive. A growth factor will be considered excessive if the actual current fiscal year revenue growth is materially less than estimated by the current fiscal year municipal revenue growth factor.

When recalculating the current fiscal year growth factor, the DOR will use both actual current fiscal year tax base growth and actual prior fiscal year local receipts.

Data Required: Form LA-13 for the current fiscal year suitable for calculating certified new growth and actual prior fiscal year local receipts, as appearing on the current fiscal year recap sheet, certified by the municipal accounting officer.

4. Use of One-time Regional Revenues in the Prior Fiscal Year

If a regional school district used qualifying revenues in the prior fiscal year that will not be available in the current fiscal year, upon the request of the selectmen in a town, the city council in a Plan E city and the mayor in all other cities, in a majority of the member municipalities, the region must apply for a reduction to its net school spending and the minimum contributions of its members. Qualifying revenues include excess and deficiency, surplus and uncommitted reserves.

Data Required: A regional school balance sheet for the prior fiscal year for certification of excess and deficiency and the prior and current fiscal years' assessment calculations showing revenues applied to the budget and the derivation of net school spending, capital and transportation assessments.

B. Apportionment of Waivers

Any shortfall in current fiscal year local revenues (Section A-1) or increase in current fiscal year extraordinary expenses (Section A-2) will be proportionately applied to a municipality's local and regional school contributions. Consequently, reductions to minimum contributions will be based on the local and/or regional school's proportionate share of the total municipal budget multiplied by the gross revenue shortfall or expenditure increase.

As such, all reductions to minimum contributions (Sections A-1 through A-4) granted under the authority of G.L. c. 70, § 6A will be specific to a municipality's local and/or regional school(s) and will not be transferable among them. For example, if a community's regional waiver is not approved by a majority of the member municipalities, this relief cannot be applied to the local school budget or any other region to which the member municipality belongs.

C. Impact of Local and Regional Waivers on School Budgets

1. Waivers for Local School Contributions

If a city or town has an approved budget for the current fiscal year that exceeds the recalculated minimum required local contribution and net school spending for its local schools (based on Sections A-1, A-2, or A-3 of these guidelines), it is up to the local appropriating body (town meeting/city council) to determine the extent to which the municipality avails itself of any relief granted under this section.

Revenue and municipal revenue growth factor waivers may result in permanent reductions to a municipality's minimum contributions and net school spending. Expenditure waivers, if acted upon by town meeting or city council, result in temporary relief for the current fiscal year and do not affect minimum contributions and net school spending in subsequent fiscal years.

2. Waivers for Regional School Contributions

If the regional school has a legally adopted budget for the current fiscal year then any waiver (based on Sections A-1 through A-4 of these guidelines) to a member municipality's minimum contribution to the region under this section must be approved by the selectmen in a town, the city council in a Plan E city or the mayor in all other cities, in a majority of the member municipalities. Upon approval by a majority of the members, the regional school committee must adjust the assessments of the affected member(s).