

# SENATE NO. 348

## **AN ACT** TO REFORM THE CALCULATION AND DISTRIBUTION OF EDUCATION AID

*Be it enacted by the Senate and House of Representatives in General Court assembled,  
And by the authority of the same, as follows:*

1 SECTION 1. Section 12 of chapter 70 of the general laws, as appearing in the 2004 Official  
2 Edition, is hereby amended by striking out said section 12, and inserting in place thereof, a new  
3 section 12.

4 Section 12 Determination of amounts appropriated

5 Section 12. (a) Subject to appropriation, beginning in fiscal year two thousand and seven and for  
6 all subsequent fiscal years, the amounts appropriated for state school aid in any given year shall be  
7 equal to the sum of the adjusted prior year amount and the education improvement amount.

8 (b) The adjusted prior year amount for state school aid shall be the amount of state aid  
9 appropriated in the previous fiscal year, multiplied by an annual adjustment factor equal to the ratio  
10 of (i) the implicit price deflator for state government services as published by the United States  
11 department of commerce for the first quarter of the prior fiscal year to (ii) the same deflator one  
12 year earlier; provided, however, that the annual adjustment factor utilized in fiscal year two

13 thousand and seven shall be equal to one. In no case shall the annual adjustment factor exceed one  
14 hundred and four percent.

15 (c) The education improvement amount shall be an amount of additional state school aid as  
16 hereinafter described for the fiscal years two thousand and seven to two thousand and two thousand  
17 and fifteen, inclusive: in fiscal year two thousand and seven, an additional three hundred million  
18 dollars; in fiscal year two thousand and eight, an additional one hundred and fifty million dollars; in  
19 fiscal year two thousand and nine, an additional one hundred and fifty million dollars; in fiscal year  
20 two thousand and ten, an additional one hundred and fifty million dollars; in fiscal year two  
21 thousand and eleven, an additional one hundred and fifty million dollars; in fiscal year two  
22 thousand and twelve, an additional one hundred and fifty million dollars; in fiscal year two  
23 thousand and thirteen, an additional one hundred and fifty million dollars; in fiscal year two  
24 thousand and fourteen, an additional one hundred and fifty million dollars; and in fiscal year two  
25 thousand and fifteen, an additional one hundred and fifty million dollars. The dollar amounts in this  
26 subsection shall be adjusted for inflation by multiplying the amounts for fiscal year two thousand  
27 and eight and subsequent years by the ratio of the implicit price deflator for state and local  
28 government purchases for the first quarter of the prior fiscal year to the value of the same deflator in  
29 the first quarter of fiscal year two thousand and six. In no case shall this adjustment factor be  
30 greater than what would be derived by a four percent annual adjustment compounded on a yearly  
31 basis.

32 (d) For any fiscal year for which the comptroller determines on or before October 31 of the  
33 succeeding fiscal year that there is a negative balance in the funds created pursuant to section 49 of  
34 chapter 29 of the general laws as reported in his annual financial report, the comptroller shall  
35 transfer funds up to 20 per cent of the amount remaining of the consolidated net surplus after

36 amounts made available in clauses (a), (b) and (c) of section 5C of said chapter 29, to an account  
37 established pursuant to the comptroller's authority under sections 8 and 9 of chapter 7A for the  
38 purposes of funding the increase in school aid required by this section prorated, if necessary, by the  
39 amount of funds available in such transfer.

40 SECTION 2. Section 2 of Chapter 70 of the General Laws is hereby amended by striking out the  
41 definition of "Base Aid" and inserting in place thereof the following new definition: "Base aid"  
42 shall be, in any fiscal year, the amount of aid distributed to a municipality under the provisions of  
43 this chapter for fiscal 2006.

44 SECTION 3. Section 2 of Chapter 70 of the General Laws is hereby amended by striking out the  
45 definition of "Foundation aid" and inserting in place thereof the following new definition:-  
46 "Foundation aid" shall be the state share of the foundation budget, as defined herein, times the  
47 foundation budget.

48 SECTION 4. Section 2 of Chapter 70 of the General Laws is hereby amended by striking out the  
49 definition of "Minimum required local contribution" and inserting in place thereof the following  
50 new definition:-  
51 "Minimum required local contribution" shall be the amount of the foundation budget minus the  
52 greater of either foundation aid or base aid, assuming full funding of foundation aid; provided  
53 however that the commissioner may authorize a reduction in said minimum required local  
54 contribution, on terms and conditions prescribed by the commissioner, to obviate undue financial  
55 hardship on a municipality applying for such relief in accordance with procedures relating thereto  
56 established by the commissioner.

57 SECTION 5. Section 2 of Chapter 70 of the General Laws is hereby amended by striking out the  
58 definition of "Standard of Effort" and inserting in place thereof the following new definition:-

59 "Standard of effort" shall be the local share of the foundation budget, as defined herein, times the  
60 foundation budget.

61 SECTION 6. Section 2 of Chapter 70 of the General Laws is hereby amended by inserting the  
62 following new definition: "Local share of the foundation budget," expressed as a percentage, shall  
63 be seventy percent for a municipality exactly at the state-wide average equalized property valuation  
64 per pupil. For municipalities at less than the state-wide average equalized property valuation per  
65 pupil, the local share of the foundation budget shall be the product of seventy percent and the  
66 relativity factor. For municipalities at greater than the state-wide average equalized property  
67 valuation per pupil, the local share of the foundation budget shall be one-hundred percent minus the  
68 quantity (thirty percent divided by the relativity factor).

69 SECTION 7. Section 2 of Chapter 70 of the General Laws is hereby amended by inserting the  
70 following new definition:-

71 "Relativity factor" for each municipality shall be the local equalized valuations per pupil divided  
72 by the state-wide average equalized valuation per pupil.

73 SECTION 8. Section 2 of Chapter 70 of the General Laws is hereby amended by inserting the  
74 following new definition:-

75 "State share of the foundation budget," expressed as a percentage, shall be thirty percent for a  
76 municipality exactly at the state-wide average equalized property valuation per pupil. For  
77 municipalities at less than the state-wide average equalized property valuation per pupil, the state  
78 share of the foundation budget shall be one-hundred percent minus the quantity (seventy percent  
79 times the relativity factor). For municipalities at greater than the state-wide average equalized  
80 property valuation per pupil, the state share of the foundation budget shall be thirty percent divided  
81 by the relativity factor.

82 SECTION 9. Section 2 of Chapter 70 of the General laws is hereby amended by inserting the  
83 following new definition:-

84 "Stabilization aid" in any fiscal year shall be the positive difference between base aid and the  
85 amount of foundation aid distributed to a municipality under the provisions of this chapter.

86 SECTION 10. Section 2 of Chapter 70 is hereby further amended by striking  
87 Therefrom, the following definitions:

- 88 (1) Adjusted property valuation
- 89 (2) Equity aid
- 90 (3) Equity gap
- 91 (4) Excess debt service
- 92 (5) Foundation gap
- 93 (6) Foundation aid percent
- 94 (7) General revenue sharing aid
- 95 (8) Gross overburden amounts
- 96 (9) Gross standard of effort
- 97 (10) Local contribution
- 98 (11) Minimum aid
- 99 (12) Municipal revenue growth factor
- 100 (13) Overburden aid
- 101 (14) Preliminary local contribution
- 102 (15) Standard of effort gap
- 103 (16) State overburden obligation

104 SECTION 11. Section 5 of Chapter 70 is hereby repealed.

105 SECTION 12. Section 6 of Chapter 70 is hereby amended by striking out the following phrase:-  
106 "but not including equity aid".

107 SECTION 13. Chapter 70 is hereby amended by striking out section 10 and inserting in its place  
108 the following new section:

109 SECTION 14. Amount of State Aid to be paid to Each Municipality Subject to appropriation, the  
110 amount of state aid paid to each municipality shall be the sum of foundation aid and stabilization  
111 aid, as defined in Section 9 hereunder and as modified by the provisions of section 11.

112 SECTION 15. Chapter 70 is hereby amended by striking out section 13 and inserting in its place  
113 the following new section:-

114 Section 13. Allocation of Funds Appropriated for State School Aid.

115 (a) The funds appropriated for state school aid under this chapter shall be allocated among  
116 municipalities as provided in section 10 hereunder.

117 (b) If upon any date of distribution the amount available for distribution under this section is  
118 insufficient to make the full distributions of state school aid required by this section, the  
119 distributions of foundation aid there-under shall be the amount otherwise due each city or town  
120 under this section multiplied by a fraction such that the sum of foundation aid and stabilization aid  
121 for all the cities and towns shall be the amount available for distribution under this section. If upon  
122 any date of distribution the amount available for distribution under this section exceeds the amount  
123 necessary to make the full distributions required by this section, the distributions of foundation aid  
124 there-under shall be the amount otherwise due each city or town under this section increased by a  
125 fraction such that the sum of foundation aid and stabilization aid for all the cities and towns shall be  
126 the amount available for distribution under this section.

127 SECTION 16. Section 5C of chapter 29 of the general laws, as appearing in the 2004 Official  
128 Edition is hereby amended by inserting after clause (c), the following new clause:

129 (d) For any fiscal year for which the comptroller determines on or before October 31 of the  
130 succeeding fiscal year that there is a negative balance in the funds created pursuant to section 49 as  
131 reported in his annual financial report, the comptroller shall transfer funds up to 20 per cent of the  
132 amount remaining of the consolidated net surplus after amounts made available in clauses (a), (b)  
133 and (c), to an account established pursuant to the comptroller's authority under sections 8 and 9 of  
134 chapter 7A for the purposes of funding the increase in school aid required by subsection (c) section  
135 12 of chapter 70 of the general laws prorated, if necessary, by the amount of funds available in such  
136 transfer.

137 SECTION 17. This act shall take effect on July 1, 2008 and shall be applicable to fiscal years 2009  
138 and thereafter.