

# School Revenue and Expense Overview - FY26 Budget Update

## Chapter 70 State Aid for K-12 Districts

Chapter 70 State Aid is determined through the Foundation Budget formula which has many variables including enrollment, demographics (EL and low-income increments), inflation, and the town's ability to pay. There is a rule that a district's aid can never decrease and will always increase by at least \$30 per pupil. The legislature has increased the minimum aid to \$104 per pupil in recent years and for FY26, the State budget includes \$75 per pupil. Any increase in Chapter 70 State Aid can be counted on in future years. The Student Opportunity Act set out a goal to increase the rates for each category over six years which goes through FY27. The primary reason for Hudson receiving a significant increase in FY26 is because of the increased SOA rates and an increase in our low-income enrollment as a % of our total enrollment. State Aid is paid to the Town and helps offset \$13.9 million/approx. 30% of the District's appropriation. **Legislation:** Our increases in FY23 and FY24 would have been even larger if the legislature did not have a 4.5% cap on the inflation factor. Associations around the State will be sending letters to the legislature asking to increase Ch 70 funding, phased in over the next few years, to make up for lost inflation. This would help Hudson significantly. MassBudget estimates Hudson would receive an extra \$1.2 million if the inflation fix was implemented.

	Foundation	Foundation	Required				Minimum	Inflation	Actual, Based
	Enrollment	Budget	Contribution	c70 formula	c70 aid	c70 increase	Per Pupil	Factor (Capped)	on Index
FY20	2658	29,439,397	17,734,729	11,704,668	12,020,446	79,740	30	3.75%	3.75%
FY21	2658	30,603,552	18,666,759	11,936,793	12,020,446	0	0	1.99%	1.99%
FY22	2512	30,183,665	18,931,449	11,252,216	12,095,806	75,360	30	1.41%	1.41%
FY23	2432	31,921,912	20,140,158	11,781,754	12,241,726	145,920	60	4.50%	<b>7.08%</b>
FY24	2417	34,207,458	21,209,511	12,997,947	12,997,947	756,221	60	4.50%	<b>8.01%</b>
FY25	2407	35,380,192	22,433,888	12,946,304	13,248,275	250,328	104	1.35%	1.35%
FY26	2414	37,349,316	23,481,576	13,867,740	13,867,740	619,465	75	1.93%	1.93%
Increase	7	1,969,124	1,047,688	921,436	619,465				

# School Revenue and Expense Overview

## Town Appropriation

The town appropriation typically ranges from 2.5-2.8% over the previous year. In FY21, the expected 2.78% increase was reduced to .78% due to an assumed reduction of local revenue due to the pandemic. This was an \$800,000 (2%) reduction to the school budget and is part of the reason for the District will need to use an estimated \$3.8 million of one-time funds to close the FY25 budget gap. In FY24, the initial 2.75% appropriation increase was increased by \$600,000 to 4.19% due to a significant increase in Ch 70 state aid. HPS received 2.25% in FY25 and a 2.5% is projected for FY26. Ch 70, which is the funding from the State for K-12 education funding, makes up a portion of the Town Appropriation and is shown in the below table. In FY26, the Governor's budget projects an increase of \$619,465. **Legislation:** The Town's revenue, limited by Prop 2 1/2, is not able to keep us with rising costs. Any legislation that increases Ch 70 aid, other state aid, reduced the charter school costs, and/or addresses the limits of raising revenue would all help Hudson afford the rising costs.

	Town	Appropriation	Appropriation	Chapter 70	Chapter 70
	Appropriation	% Increase	\$ Increase	Funding	\$ Increase
FY20 Actual	39,043,303			12,020,446	
FY21 Actual	39,349,090	0.78%	305,787	12,020,446	0
FY22 Actual	40,450,000	2.80%	1,100,910	12,095,806	75,360
FY23 Actual	41,562,375	2.75%	1,112,375	12,241,726	145,920
FY24 Actual	43,305,340	4.19%	1,742,965	12,997,947	756,221
FY25 Actual	44,279,710	2.25%	974,370	13,248,275	250,328
FY26 Projected	45,386,703	2.50%	1,106,993	13,867,740	619,465

# School Revenue and Expense Overview

## Circuit Breaker

Circuit Breaker is paid directly to the School District and reimburses districts for up to 75% of the special education costs that exceed a per pupil threshold, which is \$52,419 in FY25. Circuit Breaker reimburses special education costs per student including tuition and transportation costs. Reimbursement of transportation was added as part of the Student Opportunity Act and it has been phased in starting with FY22 revenue. The State's Circuit Breaker budget has not yet been able to fund the full 75% of transportation costs but tuition costs have been funded at the full 75%. This additional transportation reimbursement has been a good benefit with adding around \$300,000 per year to our reimbursement. The reimbursement is paid out in the year after the expenses are incurred. Typically the Hudson Public Schools uses Circuit Breaker revenue as a budget offset in the year after it is received, but in FY25, we will need to use last year's revenue and part of this year's revenue to balance the budget. This is a one-time use of additional revenue to close our FY25 budget gap. Private schools had traditionally increased tuition by around 3% but in recent year they have been significantly increasing their tuition rates, FY24 by 14%, FY25 by 4.69%, and FY26 by 3.67%. This inflation in tuition costs is difficult to afford when the Town's revenue is increasing by a smaller percentage. **Legislation:** The State has remaining Fair Share funds from FY24 that can be used for one-time expenses for transportation or education. In FY25, the State only reimbursed transportation at 44%. There will be requests that the State's one-time funds be used to fully fund FY25 Circuit Breaker transportation reimbursement which would give Hudson an additional \$198,701 in FY25. An additional request could be a one-time funding of tuition costs at 90%, instead of the normal 75%, which would give Hudson an additional \$288,810 in FY25. For FY26, fully funding tuition and transportation at 75% should be a legislative goal.

Year Expenses Incurred	Year Revenue Received	Year Budgeted and Spent	Tuition Reimburse.	Transportation Reimburse.	Revenue Amount	Tuition Reimburse. Rate	Transportation Reimburse. Rate
FY19	FY20	FY21	996,184	0	996,184	75%	N/A
FY20	FY21	FY22	896,245	0	896,245	75%	N/A
FY21	FY22	FY23	968,065	48,343	1,016,408	75%	19%
FY22	FY23	FY24	920,189	272,322	1,182,672	75%	56%
FY23	FY24	FY25	1,115,743	320,236	1,435,979	75%	57%
FY24	FY25	<b>FY25</b>	1,444,051	282,027	1,726,078	75%	44%
FY25	FY26	<b>FY26</b>	1,444,051	282,027	1,726,078	75%	44%

# School Revenue and Expense Overview

## School Choice

School Choice is paid directly to the School District and is funded \$5,000 per pupil plus reimbursement for any Special Education costs. The District manages School Choice enrollment per grade with the intent to not need to add staffing to educate these students. The district submits the School Choice claim in April which determines the revenue for that year. The Receiving student count and tuition in FY24 was 187 and \$1,376,316. Besides the \$5,000 per pupil, Hudson Public Schools receives additional funding because of expenses that we claim for Special Education costs related to any school choice students. In FY24, of the \$1,376,316 of revenue, \$925,050 was for the \$5,000 per student reimbursement and \$451,266 was based on Special Education cost reimbursement. Out of this \$1,376,316, we estimate approximately \$800,000 is "profit" that helps us offset other HPS budget line items. The reason we say this is because we strategically add students to classrooms that have a few empty seats so that we don't need to add a teacher and all of our fixed costs like administration, utilities, transportation, etc. are not increased.

FY	Receiving		Sending		HPS School Choice Usage	
	FTEPupils	Tuition	FTEPupils	Tuition	Expenses	Ending Bal
2019	80.7	684,265	20.1	141,476	1,350,122	2,592,651
2020	108.08	657,406	20.52	160,747	28,706	3,221,352
2021	124.7	805,237	18.27	134,797	6,358	4,020,231
2022	145.2	1,093,737	22.6	184,914	799,537	4,314,430
2023	155	1,081,186	19.1	171,783	1,294,538	4,101,079
2024	187.01	1,376,316	20.17	168,001	2,573,296	2,904,099

# School Revenue and Expense Overview

## District Budget Information

The District has several funding sources including the town appropriation, direct funding from the State(School Choice and Circuit Breaker), grants(Federal,State, private), and other special revenue accounts. The town appropriation typically ranges from 2.5-2.8% over the previous year. Historically the District has relied on the one-time revenue in the School Choice account to balance the budget. During FY20-FY22, the District realized savings related to the pandemic, in combination with significant pandemic grant funding, that reduced the usage of School Choice funds. The School Choice and Circuit Breaker balances are estimated to be mostly spent by the end of FY25.

Revenue		FY22 Budget	FY23 Budget	Increase \$	Increase %	FY23 Actual	Act vs Budg %
Town Appropriation		40,450,000	41,562,375	1,112,375	2.75%	41,755,284	0.46%
Circuit Breaker		896,245	1,016,408	120,163	13.41%	1,033,689	1.70%
School Choice		700,000	900,000	200,000	28.57%	1,081,186	20.13%
Stabilization Funds		1,609,473	1,719,732	110,259	6.85%	206,881	-87.97%
Total Revenue		43,655,718	45,198,515	1,542,797	3.53%	44,077,040	-2.48%

Revenue		FY23 Budget	FY24 Budget	Increase \$	Increase	FY24 Actual	Act vs Budg %
Town Appropriation		41,562,375	43,305,340	1,742,965	4.19%	43,305,340	0.00%
Circuit Breaker		1,016,408	1,182,672	166,264	16.36%	1,375,311	16.29%
School Choice		900,000	1,000,000	100,000	11.11%	1,376,316	37.63%
Stabilization Funds		1,719,732	1,426,994	-292,738	-17.02%	1,148,299	-19.53%
Total Revenue		45,198,515	46,915,006	1,716,491	3.80%	47,205,266	0.62%

Revenue		FY24 Budget	FY25 Budget	Increase \$	Increase		
Town Appropriation		43,305,340	44,279,710	974,370	2.25%		
Circuit Breaker		1,182,672	1,435,979	253,307	21.42%		
School Choice		1,000,000	1,200,000	200,000	20.00%		
Stabilization Funds		1,426,994	3,763,000	2,336,006	163.70%		
Total Revenue		46,915,006	50,678,689	3,763,683	8.02%		

# School Revenue and Expense Overview

## Other District Budget Information

The Budget including the Town Appropriation, Circuit Breaker, and School Choice is allocated into three categories: Personnel, General Expenses, and Transportation. Within Personnel, the District budgets a \$750,000 vacancy factor assuming savings from unfilled positions, unpaid absences, and other variances. We calculate the estimated cost of personnel and reduce that estimate by \$750,000 assuming those savings. In FY26, we expect to lower the vacancy factor as we reduce positions and expect less vacancy. Employees typically receive a 2% Cost of Living Increase (COLA) as well as any collectively bargained salary schedule step and lane increases. The salary increases are a significant portion of the total school budget increase each year. The District adds positions based on meeting compliance, maintaining class size, and to meet programmatic needs. In FY26, we are committed to reducing our total FTEs. If we were required to add a position for compliance reasons, we would offset that by reducing an existing position. The General Expenses budget includes full use of last year's Circuit Breaker reimbursement as a funding source and in FY25, most of FY25's revenue. The biggest increases in this category are usually Special Education tuitions, instructional books/materials, technology, and utilities. Transportation budget includes costs of full-size yellow buses, in-district specialized transportation, out-of-district specialized transportation, athletic transportation, and field trips. This category increased by 51% in FY25 as our new transportation contract took effect, which included a significant market adjustment. The previous contract was signed before the pandemic and at a favorable competitive rate. In FY26, we are assuming the contractual increases of 6% minus \$200,000 because the district has reduced two full-size yellow buses from our contract.

	FY22	FY23	FY23 vs FY22	FY24	FY24 vs FY23	FY25	FY25 vs FY24
Personnel	34,401,713	35,697,750	3.8%	36,822,456	3.2%	38,196,915	3.7%
General Expenses	6,924,005	7,257,561	4.8%	7,777,733	7.2%	8,970,660	15.3%
Transportation	2,330,000	2,243,204	-3.7%	2,314,818	3.2%	3,511,114	51.7%
Total Expenses	43,655,718	45,198,515	3.5%	46,915,007	3.8%	50,678,689	8.0%

## Grants/ESSER

The main categories of grants are entitlement grants that we receive each year based on student demographics, competitive grants that we can apply for, and pandemic-related grants. We have seen an increase in grant funding which can help offset new and existing programming. The ESSER pandemic grants will expire at the end of this fiscal year. As a result of ESSER funds expiring, the FY25 budget included \$508,000 in salaries and \$300,000 in expenses that are being incorporated in our general fund budget. As these positions and expenses are still needed, this is part of the reason for our estimated \$4.4 million budget gap in FY26.

# School Revenue and Expense Overview

HPS School Choice Usage				
FY	Beginning Balance	Tuition Received	Transfer to Budget	Ending Balance
2019	3,258,508	684,265	1,350,122	2,592,651
2020	2,592,651	657,406	28,706	3,221,352
2021	3,221,352	805,237	6,358	4,020,231
2022	4,020,231	1,093,737	799,537	4,314,430
2023	4,314,430	1,081,186	1,294,538	4,101,079
2024	4,101,079	1,376,316	2,573,296	2,904,099
2025	2,904,099	1,300,000	3,965,852	238,247

HPS Circuit Breaker Usage				
FY	Beginning Balance	Funding Received	Transfer to Budget	Ending Balance
2019	0	1,106,446	0	1,106,446
2020	1,106,446	1,003,400	1,106,446	1,003,400
2021	1,003,400	896,245	1,003,400	896,245
2022	896,245	1,033,689	896,245	1,033,689
2023	1,033,689	1,182,672	1,033,689	1,182,672
2024	1,182,672	1,628,618	1,375,311	1,435,979
2025	1,435,979	1,726,078	2,821,646	340,411

# Town Charges related to Education

## Charter School Information

The State charges districts for the Charter School tuition of their resident students who choose to attend charter schools. The total tuition, which includes tuition and facility costs, per student is \$21,842. The State partially reimburses towns in a three-year model of 100% of the increase the first year, 60% the second year, and 40% the third year to give towns some time to adjust to the increases. The formula is nuanced and complicated. There is an "Understanding Tuition Reimbursements page at <https://www.doe.mass.edu/charter/finance/tuition/>. This burden of Hudson is not felt in other towns who are not charter members of a Charter school. Whereas Hudson has a net cost of around \$4 million in FY26, other towns only have a few hundred thousand. As a charter member of AMSA, Hudson is almost guaranteed to have 20-30 students enrolling each year and sometimes higher if Marlborough hits a cap in enrollment. **Legislation:** Reform in Charter School reimbursement can be advocated for to reduce this burden on Hudson and other Charter member towns. One legislative goal should be to fully fund the current charter school reimbursement law. The Governor's FY26 budget is only funding projected reimbursements at 90.4%. Also, bill H2825 filed related to FY26 charter school funding would increase the reimbursement percentage and extend the reimbursements from a 3-yr phased method to a 4-yr phased method. This bill H2825 would get an additional \$334,100 reimbursement for Hudson in FY26.

	FY24	FY25	FY25 vs FY24	FY25 vs FY24	FY26	FY25 vs FY24	FY26 vs FY25
Charter School Students	207	237	30	14.3%	241	3	1.5%
Charter School Charge	4,139,637	4,981,021	841,384	20.3%	5,253,158	272,137	5.5%
Charter School Reimburs	1,083,344	1,481,995	398,651	36.8%	1,133,529	-348,466	-23.5%
Net Cost to Town	3,056,293	3,499,026	442,733	14.5%	4,119,629	620,603	17.7%