

***Salem Public Schools
School Committee***

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Mayor Dominick Pangallo, Chair

“Know Your Rights Under the Open Meeting Law, M.G.L. c.30A § 18-25 and
City Ordinance Sections 2-2028 through 2-2033”

SPECIAL SCHOOL COMMITTEE MEETING

Notice is hereby given that the Salem School Committee will hold a **Special School Committee meeting on February 9, 2026 at 5:30 p.m.** This meeting **will take place in person at 29 Highland Ave., Rm. 227, Salem, MA.**

- 1. Call the Meeting to Order**
- 2. Financial Overview Presentation**
- 3. Adjournment**

Respectfully submitted by,

Shirley Dorai

Executive Assistant to the School Committee and Superintendent

“Persons requiring auxiliary aids and services for effective communication such as sign language interpreter, an assistive listening device, or print material in digital format or a reasonable modification in programs, services, policies, or activities, may contact the City of Salem ADA Coordinator at (978) 619-5630 as soon as possible and not less than 2 business days before the meeting, program, or event.”

Salem - Chapter 70 and FY27 Budget Outlook

FEBRUARY 9, 2026

Chapter 70 Overview

There are three primary steps in determining each district's Chapter 70 aid

Define and calculate a foundation budget for each district, given the specific grades, programs, and demographic characteristics of its students



Determine an equitable local contribution requirement, how much of the foundation budget that should be paid for by each city and town's property tax, based upon the relative wealth of the municipality



Calculate state aid, providing necessary funds to reach foundation or mandated minimum aid increases

Required Local Contribution + State Aid = a district's net school spending (NSS) requirement
This is the minimum amount that a district must spend to comply with state law

Student Opportunity Act (SOA)

The SOA (Chapter 132 of the Acts of 2019) focused on the costs/inputs to determining an annual foundation budget

- The Act established new, higher foundation budget rates in five areas: benefits and fixed charges, guidance and psychological services, special education out of district tuition, English learners, and low-income students, all to be phased in by this fiscal year.
- In addition to these targeted rate increases, foundation budget categories are also increased to account for inflation, based on a formula.

The SOA did not make changes to the part of the formula that determines a municipality's ability to pay.

Student Opportunity Act (SOA)

Low-Income and Special Education Enrollment

- The SOA reinstates the definition of low-income enrollment used prior to FY2017, based on 185% of the federal poverty level. It replaces the economically disadvantaged designation (based on 133% of the federal poverty level) used from FY2017 through FY2022.
- The SOA also provides for a phase-in of increases to the assumed in-district special education enrollment to 5% for vocational students and 4% for non-vocational students. In FY2027, proposed rate increases close the final 1/6th of the gap, with the assumed rates being 5% and 4%, respectively.

Student Opportunity Act (SOA)

Required Local Contributions

The aggregate wealth model that has been used to determine target local contribution requirements since FY2007 is now codified in Chapter 70 by the Act.

For municipalities with preliminary required contributions above their targets, the effort reduction component of the formula closes 100% of the gap between their preliminary contribution and their contribution target.

For municipalities with preliminary required contributions significantly below their targets, the formula continues to apply an additional increment to their required contribution to close a portion of the gap to their contribution target.

FY26 Chapter 70

- Salem is receiving foundation aid in FY2026
- Increase over FY25 of **\$1,395,987 (4.7%) for total Chapter 70 aid of \$31,038,303**
 - This was driven by a 5.45% increase in Foundation Budget
 - Enrollment decreased (0.28%) (12 students)
 - There was a decrease in ELL and low-income student categories, but this appears to be offset by the rate increases under SOA
 - Increase in vocational students (486 in FY25 increasing to 602 in FY26) – not an added increment under SOA but part of base foundation calculation

FY27 Chapter 70

- Salem will receive foundation aid in FY2027
 - Increase over FY26 of **\$1,860,434 (5.99%)** for total Chapter 70 aid of \$32,898,737
 - This was driven by a 6.32% increase in Foundation Budget
 - Enrollment increased (1.33%) (57 students)
 - **Foundation budget has increased – pushing up Chapter 70 aid but also local contribution**

Massachusetts Department of Elementary and Secondary Education

FY27 Chapter 70 Summary

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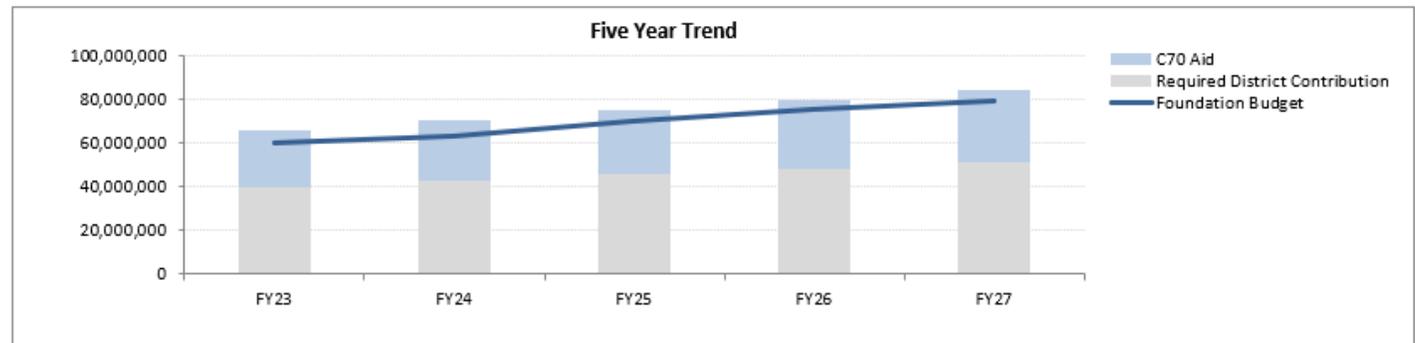


Aid Calculation FY27

Prior Year Aid	
1 Chapter 70 FY26	31,038,303
Foundation Aid	
2 Foundation budget FY27	84,299,912
3 Required district contribution FY27	51,401,175
4 Foundation aid (2 -3)	32,898,737
5 Increase over FY26 (4 - 1)	1,860,434
Minimum Aid	
6 \$75 per pupil increase	325,125
7 Minimum aid amount (if line 6 - line 5 > 0, then line 6 - line 5, otherwise 0)	0
Subtotal	
8 Sum of 1,5,7	32,898,737
Minimum Aid Adjustment	
9 Minimum aid adjustment	31,168,353
10 Aid adjustment increment (if line 9 - line 8 > 0, then line 9 - line 8, otherwise 0)	0
Non-Operating District Reduction to Foundation	
11 Reduction to foundation	0
Hold Harmless Aid	
12 Hold harmless aid	0
FY27 Chapter 70 Aid	
13 Sum of 1,5,7,10, 12 minus 11	32,898,737

Comparison to FY26

	FY26	FY27	Change	Pct Chg
Enrollment	4,278	4,335	57	1.33%
Foundation budget	79,288,062	84,299,912	5,011,850	6.32%
Required district contribution	48,249,759	51,401,175	3,151,416	6.53%
Chapter 70 aid	31,038,303	32,898,737	1,860,434	5.99%
Required net school spending (NSS)	79,288,062	84,299,912	5,011,850	6.32%
Target aid share	28.54%	30.48%		
C70 % of foundation	39.15%	39.03%		
Required NSS % of foundation	100.00%	100.00%		



FY27 Chapter 70 Determination of City and Town Total Required Contribution

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Effort Goal

1) 2024 equalized valuation	9,326,697,900
2) Uniform property percentage	0.3309%
3) Local effort from property wealth	30,865,187
4) 2023 income	1,913,167,000
5) Uniform income percentage	1.5897%
6) Local effort from income	30,412,916
7) Combined effort yield (3 + 6)	61,278,104
8) FY27 Foundation budget	88,143,751
9) Maximum local contribution (82.5% * 8)	72,718,594
10) Target local contribution (lesser of 7 or 9)	61,278,104
11) Target local share (10 as % of 8)	69.52%
12) Target aid share (100% minus 11)	30.48%

[See a listing of all 351 communities](#)

FY27 Increments Toward Goal

13) FY26 required local contribution	50,422,107
14) Municipal revenue growth factor (DOR)	4.59%
15) FY27 preliminary contribution (13 raised by 14)	52,736,482
16) Preliminary contribution pct of foundation (15 / 8)	59.83%
<i>If preliminary contribution is above the target share:</i>	
17) Excess local effort (15 - 10)	
18) 100% reduction toward target (17 x 100%)	
19) FY27 required local contribution (15 - 18), capped at 90% of foundation	
20) Contribution as percentage of foundation (19 / 8)	
<i>If preliminary contribution is below the target share:</i>	
21) Shortfall from target local share (10 - 15)	8,541,622
22) Shortfall percentage (11 - 16)	9.69%
23) Added increment toward target (13 x 1% or 2%)*	1,008,442
*1% if shortfall is between 2.5% and 7.5%; 2% if shortfall > 7.5%	
24) Special increment toward 82.5% target**	0
**if combined effort yield > 175% foundation	
Combined effort yield as % of foundation	
25) Shortfall from target after adding increments (10 - 15 - 23 - 24)	7,533,180
26) FY27 required local contribution (15 + 23 + 24)	53,744,924
27) Contribution as percentage of foundation (26 / 8)	60.97%

FY27 Chapter 70 Foundation Budget

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	Base Foundation Components							Incremental Costs Above the Base						TOTAL		
	1	2		3	4	5	6	7	8	9	10	11	12		13	14
	Pre-school	----- Kindergarten -----		Full-Day	Elementary	Junior/ Middle	High School	Vocational	Special Ed In-District	Special Ed Tuitioned-Out	English learners PK-5	English learners 6-8	English learners High School/Voc		Low income	
Foundation Enrollment	202	0	341	1,580	1,004	708	601		175	36	416	129	165	2,687	4,335	
1 Administration	47,464	0	160,246	742,489	471,810	332,710	282,428		567,574	148,941	50,128	16,673	25,587	307,796	3,153,846	
2 Instructional Leadership	85,721	0	289,420	1,341,009	852,135	600,908	510,093		0	0	87,722	29,173	44,779	1,458,450	5,299,410	
3 Classroom & Specialist Teachers	393,060	0	1,327,066	6,148,775	3,438,349	3,565,651	5,145,546		1,872,854	0	614,033	204,212	313,444	14,237,150	37,260,139	
4 Other Teaching Services	100,808	0	340,366	1,577,061	721,394	423,497	359,494		1,748,656	2,275	87,722	29,173	44,779	0	5,435,226	
5 Professional Development	15,546	0	52,514	243,352	167,608	114,611	160,846		90,346	0	25,060	8,335	12,792	690,720	1,581,729	
6 Instructional Materials, Equipment & Technology ⁷	56,887	0	192,078	889,982	565,533	638,078	947,867		78,855	0	62,654	20,837	31,982	105,895	3,590,649	
7 Guidance & Psychological Services	45,769	0	154,528	715,993	454,973	334,544	283,985		0	0	37,594	12,504	19,190	576,496	2,635,574	
8 Pupil Services	11,375	0	38,420	266,973	277,124	450,635	382,530		0	0	12,534	4,169	6,397	2,995,683	4,445,840	
9 Operations & Maintenance	109,149	0	368,508	1,707,459	1,176,266	804,267	1,277,738		634,008	0	150,376	50,011	76,761	0	6,354,542	
10 Employee Benefits/Fixed Charges*	209,434	0	707,084	3,276,225	2,248,890	1,400,077	1,495,697		825,689	0	159,877	53,170	81,611	2,671,093	13,128,845	
11 Special Education Tuition*	0	0	0	0	0	0	0		0	1,414,112	0	0	0	0	1,414,112	
12 Total	1,075,212	0	3,630,231	16,909,318	10,374,081	8,664,978	10,846,223		5,817,980	1,565,328	1,287,699	428,258	657,322	23,043,282	84,299,912	
13 Wage Adjustment Factor	100.0%											Foundation Budget per Pupil		19,446		
*The wage adjustment factor is applied to underlying rates in all functions except instructional equipment, benefits and special education tuition.																
14 Low-income percentage	62.85%											English learner foundation budget as % total foundation budget		2.8%		
15 Low-income group	10											Low-income foundation budget as % total foundation budget		27.3%		

Enrollment data used to calculate FY27 Foundation Budget and Chapter 70 aid

Foundation Budget – Enrollment in Key Categories

	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Special Ed In-District	168	160	165	170	172	175
Special Ed Tuitioned-Out	39	38	36	37	36	36
English Learners, PK-5	325	352	401	449	444	416
English Learners, 6-8	82	101	122	158	135	129
English Learners High School/Voc	127	114	149	169	168	165
Low Income	2,478	2,596	2,676	2,755	2,737	2,687
Totals	3,219	3,361	3,549	3,738	3,692	3,608

In the Chapter 70 formula that develops a district's foundation budget, these categories have an additional increment on top of base funding rates, which grows foundation budget and may also increase Chapter 70 aid

Municipal Contribution – Added Increments

Salem's "Below Target Share" Added Increments	
FY2019	Above Effort
FY2020	\$ 353,987
FY2021	\$ 358,837
FY2022	\$ 376,671
FY2023	\$ 783,475
FY2024	\$ 840,042
FY2025	\$ 894,393
FY2026	\$ 952,529
FY2027	\$1,008,442

The accelerating ***required local contribution*** is clearly visible in the accelerating ***added increments*** being applied to Salem's aid.

Now that Salem is receiving foundation aid, the "Below Target Share" added increment is having a particularly negative impact.

If not for this "penalty," Salem would be receiving an additional \$1,008,442 in FY2027 Chapter 70 aid.

Salem Chapter 70 Historical Review

Implementation of SOA

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Enrollment Change v. Prior Year	-4	102	-99	-221	-176	63	88	-12	57
Required Net School Spending	\$ 55,446,712	\$ 59,983,631	\$ 61,571,253	\$ 62,876,841	\$ 65,935,095	\$ 69,935,642	\$ 75,190,968	\$ 79,288,062	\$ 84,299,912
Required District Contribution	\$ 33,573,950	\$ 34,176,479	\$ 35,764,101	\$ 36,940,239	\$ 39,750,153	\$ 42,479,762	\$ 45,547,856	\$ 48,249,759	\$ 51,401,175
Chapter 70 Aid	\$ 21,872,762	\$ 25,807,152	\$ 25,807,152	\$ 25,936,602	\$ 26,184,942	\$ 27,455,880	\$ 29,642,316	\$ 31,038,303	\$ 32,898,737
Chapter 70% of Foundation	39.87%	43.02%	43.42%	43.25%	41.74%	39.26%	39.39%	39.15%	39.03%
Target Aid Share for State	38.80%	39.98%	37.63%	32.93%	29.33%	29.24%	29.14%	28.55%	30.48%
Added Increment*	\$ -	\$ 353,987	\$ 358,837	\$ 376,671	\$ 783,475	\$ 840,042	\$ 894,393	\$ 952,529	\$ 1,008,442

*Target local contribution was less than Preliminary Required Local Contribution in FY19 so there was no added increment

Chapter 70 Variance v. Prior Year	\$ 136,020	\$ 3,934,390	\$ -	\$ 129,450	\$ 248,340	\$ 1,270,938	\$ 2,186,436	\$ 1,395,987	\$ 1,860,434
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- Years with enrollment increases have resulted in Chapter 70 increases/foundation level aid
- Added Increment to reach Target Aid Share is rapidly increasing, escalating pressure on local revenues to support school spending

Chapter 70: Increasing Pressure on Local Resources

Salem's Target State Aid Share	
FY2016	40.9%
FY2017	40.8%
FY2018	N/A
FY2019	38.8%
FY2020	40.0%
FY2021	37.6%
FY2022	32.9%
FY2023	29.3%
FY2024	29.2%
FY2025	29.1%
FY2026	28.5%
FY2027	30.5%

Salem's Target Aid Share

The Chapter 70 formula has driven Salem's contribution up and the state's contribution down.

In fact, Salem experienced a 10% decline in target aid share from the state in just three years (FY20-FY23) upon implementation of the SOA

Since 2019, the growth in Salem's target local contribution is 73%, and the growth in required local contribution is a completely unsustainable 57%.

2020 DESE/DOR Local Contribution Study

“Cap on contributions: The current cap on the local contribution requirement (82.5% of foundation budget) is proving problematic in two respects. First, the increasing number of communities subject to the cap undercuts the equity goal that the target contribution calculation seeks to meet. Second, the current cap in conjunction with the significant increases to foundation budgets envisioned by the SOA may result in significant and unevenly distributed increases in the local contribution requirements for communities not subject to the cap.”

“It should be further noted that with 40% of communities capped at 82.5% and the SOA significantly expanding foundation budgets, we may see more communities falling under the 82.5% cap and an accompanying increase in target contributions levels for those not impacted by the cap itself. As statewide foundation budgets increase under the SOA, the formula will adjust to distribute the statewide target contribution (59% of statewide foundation) among the target contributions of those communities with relatively high targets, but not protected by the 82.5% cap. Over time, the formula will move the required contributions of these districts toward their new local contribution targets and lower aid targets.”

FY27 Budget Outlook

City Budget Principles

- Budget must balance (revenues/expenditures)
- Forecast conservatively – hope for the best, but plan for the worst
- Match recurring revenue with recurring expenses and onetime revenue with onetime expenses
- Budget should reflect our community's needs, priorities, challenges and opportunities

City Budget Process

- December 2025 - January 2026: Department heads develop FY2027 requests.
- February – April 2026: Department heads meet with Mayor and Finance Director to review budgets and capital requests.
- May 2026: FY2027 proposed budget filed with City Council.
- June 2026: FY2027 budget finalized prior to the start of the fiscal year on July 1st.

City Budget Challenges

- Energy costs
- Materials/Supplies
- Overall economic and revenue impacts
- State Aid for School System and other Local Aid levels
- Housing Costs
- Climate Change
- Aging Infrastructure
- Fixed Costs Increases
- Healthcare costs (12% avg. premium increase)
- Pension/OPEB Liability
- Debt Service
- School Transportation and Special Education Tuition
- Contractual Payments (e.g. IT, Purchasing, Building Fixed Costs)

School Expenses on “City” Budget

School Costs Funded on the “City-Side” of the Budget

- Health insurance (Projected increase of 11-12% - at least \$400K-\$450K for School Health Insurance)
- Tuition Cost Growth (e.g. Essex Tech) (TBD)
- Debt Service (School Building and other Capital Infrastructure) (TBD)
- State Assessments (Charter School & School Choice Sending Tuitions)
- Non-MTRS Pension Assessment (TBD)
- Medicare (projecting 6%)
- Retirement Buy-Outs (TBD)

School Expenses on “City” Budget & Compliance with Net School Spending

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026 Budgeted
Required Net School Spending	\$ 55,446,712	\$ 59,983,631	\$ 61,571,253	\$ 62,876,841	\$ 65,935,095	\$ 69,935,642	\$ 75,190,968	\$ 79,288,062
<i>School Committee</i>	\$ 54,544,324	\$ 55,780,757	\$ 59,034,970	\$ 61,031,574	\$ 63,623,136	\$ 66,637,356	\$ 70,234,682	\$ 72,904,002
<i>Additional City Funds</i>	\$ 19,931,514	\$ 21,120,145	\$ 16,950,707	\$ 18,434,105	\$ 19,248,149	\$ 20,300,487	\$ 21,872,680	\$ 25,062,427
Total	\$ 74,475,839	\$ 76,900,902	\$ 75,985,678	\$ 79,465,679	\$ 82,871,285	\$ 86,937,843	\$ 92,107,362	\$ 97,966,429
Variance with NSS	\$ 19,029,127	\$ 16,917,271	\$ 14,414,425	\$ 16,588,838	\$ 16,936,190	\$ 17,002,201	\$ 16,916,394	\$ 18,678,367

Source: DESE “Compliance with Net School Spending” & Salem Year-End-Reports

Review of Historical SPS Appropriation Growth & Chapter 70

Chapter 70 Increase				SPS Budget Increase			
Year	Amount	Increase	Percentage	Year	Amount	Increase	Percentage
2015	\$ 21,231,627	\$ 352,168	1.69%	2015	\$ 54,461,543	\$ 1,908,120	3.63%
2016	\$ 21,348,492	\$ 116,775	0.55%	2016	\$ 53,145,269	\$ (1,316,274)	-2.42%
2017	\$ 21,600,632	\$ 252,230	1.18%	2017	\$ 55,041,847	\$ 1,896,578	3.57%
2018	\$ 21,736,742	\$ 136,110	0.63%	2018	\$ 56,807,831	\$ 1,765,984	3.21%
2019	\$ 21,872,762	\$ 136,020	0.63%	2019	\$ 57,628,889	\$ 821,958	1.45%
2020	\$ 25,807,152	\$ 3,934,390	17.99%	2020	\$ 59,833,547	\$ 2,204,658	3.83%
2021	\$ 25,807,152	\$ -	0.00%	2021	\$ 63,449,649	\$ 3,616,102	6.04%
2022	\$ 25,936,602	\$ 129,450	0.50%	2022	\$ 66,597,919	\$ 3,148,270	4.96%
2023	\$ 26,184,942	\$ 248,340	0.96%	2023	\$ 68,747,963	\$ 2,150,044	3.23%
2024	\$ 27,455,880	\$ 1,270,938	4.85%	2024	\$ 71,154,142	\$ 2,406,179	3.50%
2025	\$ 29,642,316	\$ 2,186,436	7.96%	2025	\$ 74,592,616	\$ 3,438,474	4.83%
2026	\$ 31,038,303	\$ 1,395,987	4.71%	2026	\$ 78,173,061	\$ 3,580,445	4.80%

- Average 5-Year Budget Increase for SPS: **4.26%**
- Average 5-Year Chapter 70 Increase: **3.8%**
- Cumulative 5-Year Variance Between SPS Budget Increases and Chapter 70 Increases: **\$9.5 million**

Areas to Monitor & Budgetary Factors

- Health care costs – statewide issue
- Homeless Student Transportation and Out of District Special Education Costs
- Adjustments to Assessments during State Budget process (i.e. Charter Schools)
- Energy/Utility Costs
- Impacts of federal policies on the local economy and local meals and rooms tax revenues
- Cost increases for materials and equipment due to tariffs
- Potential increased costs for borrowing (interest rates)