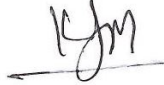




## MEMORANDUM

**TO:** Mayor Edward J. Kennedy and Members of the City Council

**FROM:** Kevin J. Murphy, City Manager 

**DATE:** February 21, 2017

**SUBJECT:** Net School Spending

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Dear Mayor and members of the City Council,

I am pleased to report that the City of Lowell was in compliance with Net School Spending in FY16 and is projected to be in compliance for FY17 as well. Attached please find the compliance report submitted by the school department and verified by the State's Department of Elementary and Secondary Education.

Net School Spending is a formula set by the State to guarantee that each municipality is providing a quality education. It is financed utilizing Chapter 70 funds and local contributions (property tax revenue), both in the form of appropriation and allocated resources. As you know, Net School Spending had previously been a longstanding challenge for the City. Lowell did not meet the requirement in most years going back to education reform in 1993. The City not only met its target for the first time without federal funding in FY15, it exceeded the required amount by over \$1 million.

The newly certified FY16 numbers cement how far the City has truly come. The City of Lowell exceeded its net school spending requirement in FY16 by \$9,144,725. The success is continuing in FY17, as the City is budgeted to exceed the target by \$9,578,719. The City Council is to be commended for going well above and beyond in its commitment to education. I look forward to continue working with the Council to meet and surpass our fiscal responsibility to the Lowell public schools.

As we move into budget preparations for FY18, I recently sent a letter to Superintendent Salah Khelifaoui with the City's preliminary budget recommendation based on the Governor's proposed budget and the City's ongoing fiscal challenges. I feel the recommended appropriation of \$161,526,094 will again greatly exceed the net school spending requirement and continue to build on the City Council's commitment to education. A copy of the letter is enclosed.

Thank you and please let me know if you have further questions.

2/17/2017

**Massachusetts Department of Elementary and Secondary Education**

Office of School Finance

**Chapter 70 Net School Spending Compliance, FY16**

<b>160 LOWELL</b>	School Committee	City/Town	Total
1 Administration (1000)	4,668,120	1,398,317 *	6,066,437
2 Instruction (2000)	111,658,357	0 *	111,658,357
3 Attendance-Health (3100, 3200)	779,518	1,478,749 *	2,258,267
4 Food Services (3400)	0	0	0
5 Athletics/Student Activities/Security (3500, 3600)	2,180,575	510,684	2,691,259
6 Maintenance (4000)	5,486,402	4,101,044 *	9,587,446
7 Employer Retirement Contributions (5100)	1,337,434	5,820,207	7,157,641
8 Insurance (5200)	15,274,179	2,514,651	17,788,830
9 Retired Employee Insurance (5250)	0	6,944,962	6,944,962
10 Rentals (5300)	375,809	0 *	375,809
11 Short Term Interest (5400)	0	0	0
12 Tuition (9000)	7,344,649	18,020,391	25,365,040
13 Total School Spending (lines 1 through 12)	149,105,043	40,789,005	189,894,048
14 FY16 School Revenues			
14a) FY16 School Revenues *	0	0	0
14b) FY16 Charter Reimbursement	0	2,148,117	2,148,117
14c) Subtotal, School Revenues (14a + 14b)	0	2,148,117	2,148,117
15 FY16 Net School Spending (13 - 14)			<b>187,745,931</b>
16 FY16 Chapter 70 Required Net School Spending			178,601,206
17 Carryover from FY15			0
18 Total FY16 Net School Spending Requirement (16 + 17)			<b>178,601,206</b>
19 Shortfall in Net School Spending (18 - 15)			<b>0</b>
20 Carryover/Penalty Calculation, Percent Unexpended (19 / 16)			0.00%
21 FY16 Carry-Over into FY17 (Line 19 or 5% of line 16 )			0
22 Penalty (19 - 21)			0

\* Budgeted amounts as reported on FY15 End of Year Pupil and Financial Report, Schedule 19

2/21/2017

**Massachusetts Department of Elementary and Secondary Education**  
Office of School Finance

**Chapter 70 Net School Spending Compliance, Budgeted FY17**

160 LOWELL	School Committee	City/Town	Total
1 Administration (1000)	3,797,907	1,502,516	5,300,423
2 Instruction (2000)	115,805,890	0	115,805,890
3 Attendance-Health (3100, 3200)	964,140	1,446,199	2,410,339
4 Food Services (3400)	0	0	0
5 Athletics/Student Activities/Security(3500, 3600)	1,988,426	510,684	2,499,110
6 Maintenance (4000)	5,101,570	4,095,164	9,196,734
7 Employer Retirement Contributions (5100)	1,175,000	5,820,207	6,995,207
8 Insurance (5200)	15,071,112	2,514,651	17,585,763
9 Retired Employee Insurance (5250)	0	6,944,962	6,944,962
10 Rentals (5300)	423,764	0	423,764
11 Short Term Interest (5400)	0	0	0
12 Tuition (9000)	7,508,636	19,736,869	27,245,505
13 FY17 Budgeted School Spending (lines 1 through 1	151,836,445	42,571,252	194,407,697
14 FY17 Budgeted School Revenues			
14a) FY17 Budgeted School Revenues	0	0	0
14b) FY17 Charter Reimb (local districts)	0	1,590,616	1,590,616
14c) Subtotal, NSS Revenues (36a + 36b)	0	1,590,616	1,590,616
15 FY17 Net School Spending (13 - 14)			<b>192,817,081</b>
16 FY17 Chapter 70 Required Net School Spending			183,238,362
17 Carryover from FY16			0
18 Total FY17 Requirement (16 + 17)			<b>183,238,362</b>
19 Shortfall in Budgeted FY17 Net School Spending (18 - 15)			<b>0</b>
20 Carryover/Penalty Calculation, Percent Unexpended (19 / 16)			0.00%



Kevin J. Murphy  
City Manager

February 1, 2017

Dr. Salah Khelifaoui, Superintendent of Schools  
Office of the Superintendent  
155 Merrimack Street  
Lowell, MA 01852

Dear Dr. Khelifaoui,

As we enter the third quarter of the fiscal year, I write to update you and the School Committee of the City's ongoing preparations for the FY2018 budget. FY2018 will once again be a challenging budget year as the City balances the costs of operation and capital improvement with the necessity to continue to make Lowell an affordable place to live. Early estimates show increases to a variety of fixed costs such as pensions, health care, and contractual obligations. On the City side, the various departments are in the process of completing their initial budget submission with the charge that they level fund their departmental expenses. This is painful yet necessary.

For the School Department, I have worked with the finance team to arrive at a recommended appropriation in order to allow the School Administration and School Committee sufficient time to construct a budget. As you are aware, Governor Baker and his administration recently unveiled the Governor's budget proposal for FY2018. For Lowell, this includes a Chapter 70 aid amount of \$143,520,403. This figure represents a year-over-year increase of \$4,932,022. The proposal also includes an increase of \$1,851,160 to the City of Lowell's assessment for its Charter Schools. My recommendation to the City Council will be for this increase to be absorbed by the City's cash contribution to the School Department in order to fully provide funding for all of our public school students, including those students attending charter schools.

Therefore, I am proposing \$143,520,403 in Chapter 70 aid and \$18,005,691 in direct cash contribution from the tax levy for a combined FY2018 School Department appropriation of \$161,526,094. This represents a significant year-over-year increase of \$3,080,862. I feel this once again furthers the major commitment to education shown by the City Council and my administration. The School Department's recently submitted end-of-year report awaiting DESE certification shows the City of Lowell exceeded net school spending by over \$9 million in FY2016 and is budgeted to exceed it by almost \$10 million in FY2017. FY2018 will continue the recent success in far outpacing the state's net school spending requirement.



Kevin J. Murphy  
*City Manager*

Many assumptions can change as the state budget evolves from the Governor's recommendation to the final General Appropriations Act. If Chapter 70 and other budget assumptions change, there may be adjustments made. However, it is my recommendation that the School Department prepare their budget based on the above appropriation number. Ultimately, a proposed operating budget for the City of Lowell will be presented to the Lowell City Council on or about May 16, 2017.

Sincerely,

Kevin J. Murphy  
City Manager

Cc: Mayor Edward J. Kennedy and Members of the Lowell City Council  
Conor Baldwin, Chief Financial Officer  
Gary Frisch, School Business Administrator