



Eileen M. Donoghue  
City Manager

March 24, 2022

Mayor Sokhary Chau  
And  
Members of the Lowell City Council

Dear Mayor Chau and Members of the Lowell City Council,

As we near the end of the third quarter (Q3) for fiscal year 2022 (FY2022), my finance team is continuously refining our projections to bring the budget into balance. It is traditionally around this time each year when a letter is communicated to the Superintendent of Schools regarding the proposed single, line-item appropriation for the Lowell Public School system for use by their Central Administration in preparing their budget. Under Education Reform, the City Council appropriated a lump sum total to the Schools each year, which is then further classified and allocated by the School Committee to meet the educational needs of the district. A copy of the letter sent to the Superintendent, as well as a memorandum from the Chief Financial Officer with further detail on this matter, are enclosed for your information.

Additionally, the City has received notification of the official certification of the 2021 net school spending compliance by the Department of Elementary and Secondary Education (“DESE”). I am pleased to inform you that for fiscal year 2021, the City of Lowell exceeded the required spending amount on the public schools by \$6.5 million. This certification is typically one-year behind and is a result of the end of year compliance report submitted by the Lowell Public Schools to DESE. It is further audited for accuracy and compliance by our outside auditors each year.

The Lowell City Council’s commitment of education will be further enhanced in the next fiscal year by the substantial increase in Chapter 70 funding pursuant to the Student Opportunity Act (“SOA”). The increase in aid included in the Governor’s budget was \$22.4 million over FY2021. This amount, however, is still subject to the legislative process and could be amended or increased over the coming months.

Sincerely,

Eileen M. Donoghue  
City Manager

Cc: Conor Baldwin, Chief Financial Officer



Conor Baldwin  
*Chief Financial Officer*

Allison Chambers  
*Deputy CFO*

## MEMORANDUM

**TO:** Eileen M. Donoghue, City Manager

**FROM:** Conor Baldwin, Chief Financial Officer

**DATE:** March 24, 2022

**SUBJECT:** FY2021 School Spending Compliance and FY2023 School Funding

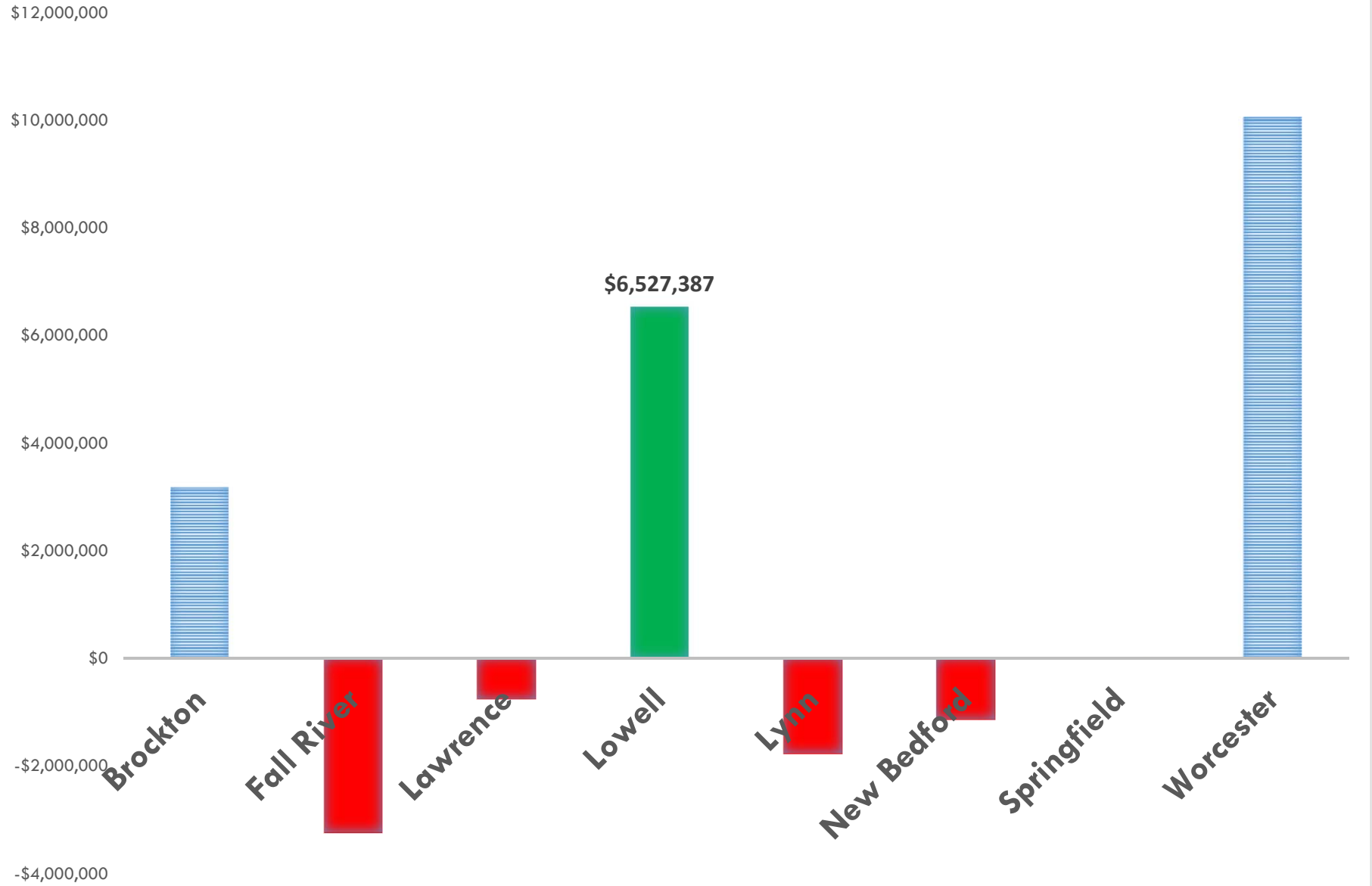
The Department of Elementary and Secondary Education (“DESE”) has recently published the net school spending compliance reports for cities and towns in Massachusetts for the fiscal year 2021. For the 7<sup>th</sup> consecutive year, the City of Lowell has exceeded the required spending level for the Lowell Public Schools, meeting the priority set forth by the City Council. The 2021 required spending on the Lowell Public Schools was \$218.8 million. DESE has certified that the city spent \$225.3 million, exceeding the requirement by approximately \$6.5 million.

Net School Spending (“NSS”) refers to the amount of total spending by a city or town on their public school system. This number includes any state education aid (“Chapter 70”), any direct cash support to the schools from the tax levy, and so-called maintenance of effort charges, which include expenditures by city departments in support of the school district and fixed costs incurred on the city-side of the budget, such as health insurance costs for retired teachers. The Commonwealth’s school finance statute (MGL c. 70) establishes an annual net school spending requirement for each Massachusetts school district. Failure to comply with this requirement may result in non-approval of a municipality’s tax rate, enforcement action by the Attorney General, or loss of state aid. For many years throughout the 1990s into the early 2000s, Lowell struggled to meet the required spending level, and again after the 2007 recession fell below the NSS requirement. However, since FY2015 the city has consistently exceeded the requirement.

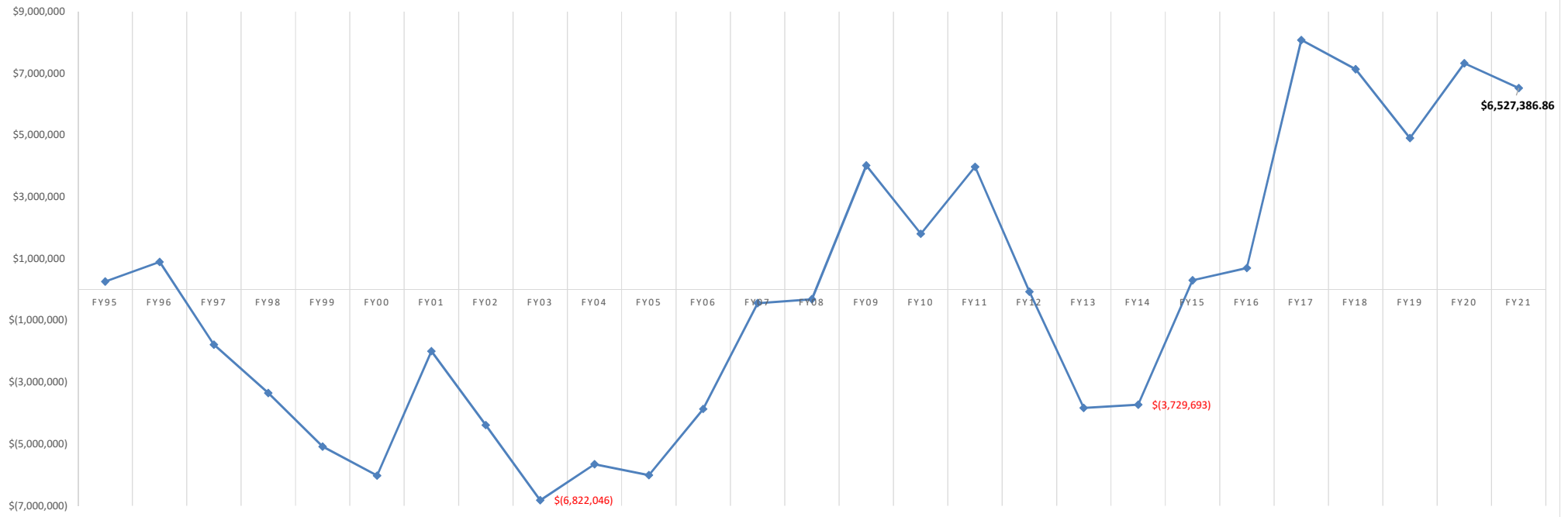
As we refine our FY2023 projections, one strategy for balancing the need to invest in the maintenance of our municipal facilities, including the schools, while also funding rising assessments for education-related spending on charter schools; is to reduce the cash contribution to the schools and direct that funding to the DPW and the cherry sheet assessments for FY2023. Such a strategy would still allow the city to exceed the required spending on the public schools—albeit by a lesser margin—but would mitigate the need to fund these other critical needs without overly burdening the tax levy.

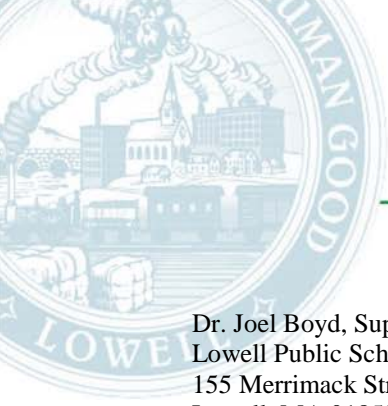
Our current model for the 2023 budget includes this as part of the strategy for achieving a balanced budget. The finance department has prepared a draft communication to the Superintendent and the City Council to notify them of the same. Also enclosed with this memorandum are two charts which highlight the city’s historical compliance and the 2021 compliance as compared with other Gateway Cities in Massachusetts. Please let me know if you have any questions on this matter.

## 2021 DOLLARS OVER NET SCHOOL SPENDING GATWAY CITIES W/ ENROLLMENT > 10,000



# HISTORICAL SPENDING COMPLIANCE - DOLLARS OVER/(UNDER) REQUIREMENT





Eileen M. Donoghue  
*City Manager*

Dr. Joel Boyd, Superintendent of Schools  
Lowell Public School Central Administration  
155 Merrimack Street  
Lowell, MA 01852

Mr. Superintendent,

As we near the close of the third quarter of the fiscal year, I write to update you of the ongoing preparations for the City of Lowell's FY2023 budget. My finance department has recently informed me that the Department of Elementary and Secondary Education ("DESE") has published the official compliance report for the district's spending requirements in FY2021. I am pleased to report to you, as well as to the City Council that the City of Lowell exceeded the Commonwealth's "net school spending" requirement for FY21 by \$6.5 million. This figure is a true demonstration of the City Council's commitment to education funding, which is especially notable amongst gateway cities.

Education has always been a pillar of my Administration and a priority for the Lowell City Council. The Governor's budgeted proposal for FY2023 increased the Chapter 70 allocation for Lowell by over \$22.4 million. This increase and proposed level of funding for the Lowell Public School District is historic and a direct result of the Student Opportunity Act ("SOA"). This, along with the three rounds of federal Elementary and Secondary School Emergency Relief ("ESSER") funding will allow the district to focus resources towards the approximately 14,000 students in the city's schools.

The City has consistently maintained a level of funding above the required spending level for many years. While our commitment to education will always be a priority, in order to address the city's ageing buildings—including the schools—some funding in FY2023 must be reallocated elsewhere, such as in the DPW, to confront the problems with infrastructure caused by years of deferred maintenance.

In the FY2023 Annual Budget for the City of Lowell, the total proposed single line appropriation support to the Lowell Public Schools in will be \$213,706,072. This figure, however, does not take into account the approximately \$52 million in costs to support the district funded by the city budget, nor the aggressive capital investment campaign in the schools. According to DESE's report, if the city were to level-fund the schools from the tax levy, the district would again exceed the net school spending requirement by approximately \$3.4 million.

It is my sincere hope that this information will be useful to the School Department for budgeting purposes as you plan for the 2022-2023 school year. It must be noted that the amount of Chapter 70 funding from the Commonwealth is subject to further deliberation as it makes its way through the legislative process. The total appropriation to the schools could increase or decrease, proportionally to any decrease to the amount in the final budget approved by the state.

Sincerely,

  
Eileen M. Donoghue  
City Manager

Cc: Mayor Sokhary Chau and Members of the Lowell City Council