



The City of
WORCESTER



WORCESTER
PUBLIC SCHOOLS

**City of Worcester
Municipal & Educational Budget
Considerations**

Timothy J. McGourthy
*Chief Financial Officer
City of Worcester*

Brian E. Allen
*Deputy Superintendent, Chief Operating
Officer, and Chief Financial Officer
Worcester Public Schools*

ONE CITY, TWO SYSTEMS



The City of
WORCESTER

The City and Worcester Public Schools are one organization with two leadership structures. While funding for the Worcester Public Schools is a component of the City's annual budget, and subject to the recommendation of the City Manager and approval of the City Council, the allocation of that budget and the management of grants and other outside revenues are the responsibility of the Superintendent and the Worcester School Committee.

A simple way to think about it is that the City controls revenues while the Schools control expenses.



WORCESTER
PUBLIC SCHOOLS



WORCESTER
PUBLIC SCHOOLS
ANNUAL BUDGET
FISCAL YEAR 2025

JULY 1, 2024 - JUNE 30, 2025



From Here, Anywhere...

Together

Dr. Rachel H. Monárrez
Superintendent of Schools
Worcester Public Schools
20 Irving Street
Worcester, Massachusetts 01609

Connect with us
website: worcesterschools.org
Facebook: [WorcesterPublicSchools](https://www.facebook.com/WorcesterPublicSchools)
Twitter: [@WorcesterPublic](https://twitter.com/WorcesterPublic)
Instagram: [@WorcesterSchools](https://www.instagram.com/WorcesterSchools)



11 Year Recipient

FISCAL YEAR 2025
EMPOWERING PROGRESS:
INVESTING IN EQUITY, TALENT, AND CULTURE
Annual Operating Budget

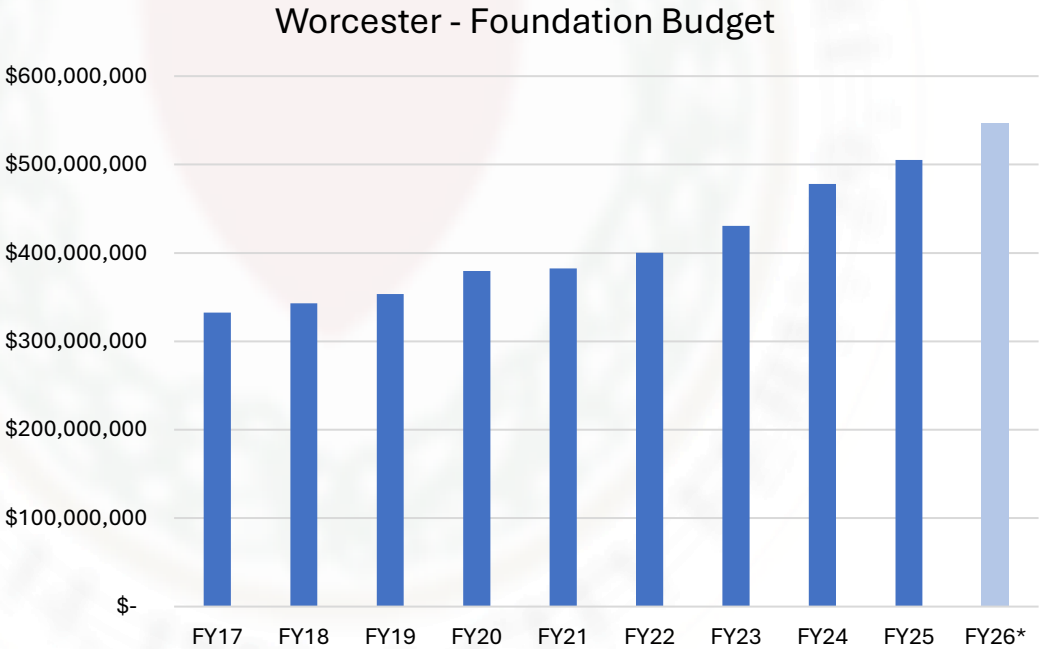


The City of
Worcester

Eric D. Batista, City Manager

MGL CHAPTER 70

Section 1. It is the intention of the general court, subject to appropriation, to assure fair and adequate minimum per student funding for public schools in the commonwealth by defining a foundation budget and a standard of local funding effort applicable to every city and town in the commonwealth.



10-Year Change (\$): \$214,852,167

10-Year Change (%): 64.6%

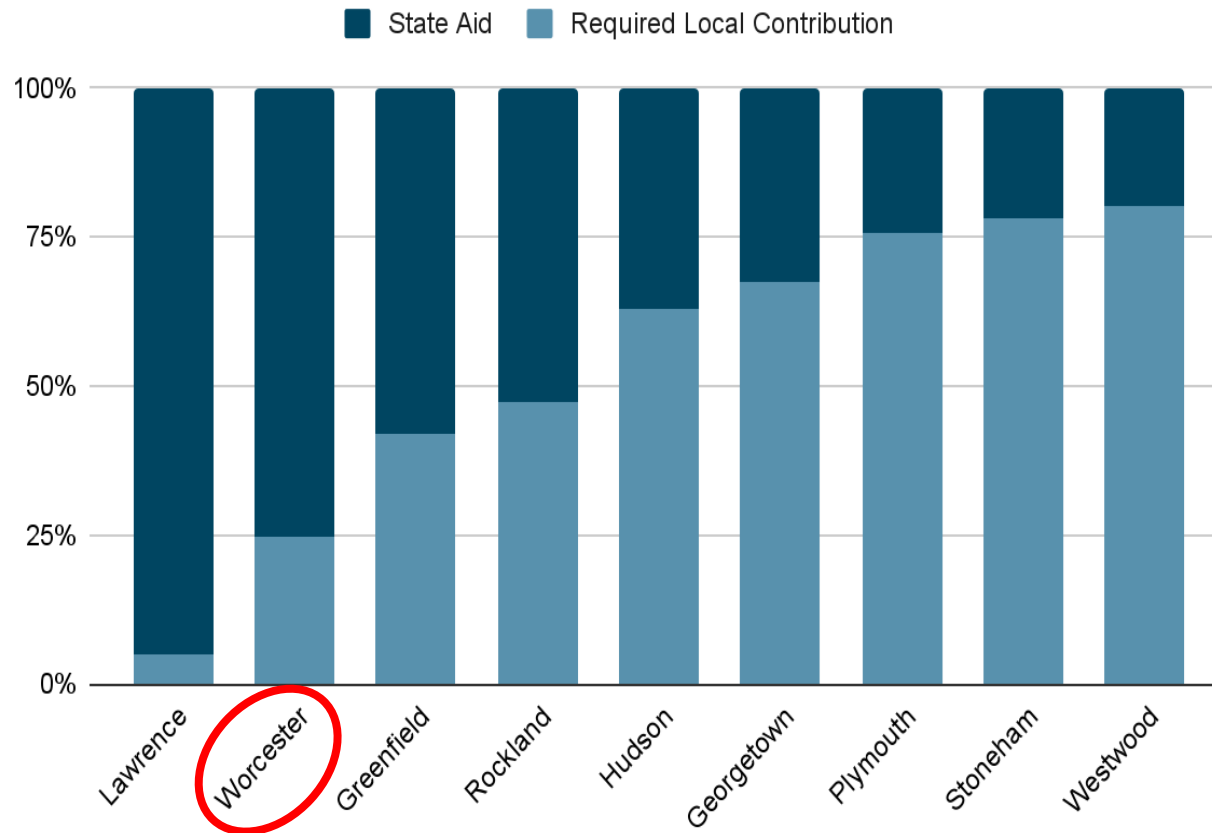
EDUCATION FUNDING IN MASSACHUSETTS

- **Chapter 70 of the Massachusetts General Laws** – Regulates education spending by regions, municipalities, and school districts.
- **Foundation Budget** – Establishes minimum adequate spending requirements for each school district, and minimum requirements for each municipality's share of school costs.
- **Local Required Contribution** – The mandatory municipal contribution to education as calculated by the State Department of Elementary & Secondary Education (DESE).
- **Actual Contribution** – Funding raised from local sources and directed to the school district.
- **State-Aid – Education** – Funds representing the difference between the Foundation Budget and the Local Required Contribution that are provided by the State to augment local education revenues and ensure adequate school funding.
- **Net School Spending** – The sum of certain school and municipal education-related expenditures. Does not include debt service, long-term building rentals, or transportation.

ELEMENTS OF THE FOUNDATION BUDGET

- The Foundation Budget utilizes a formula to determine adequate spending for every school district in the Commonwealth based on its unique student characteristics. It takes into consideration:
 - Base Foundation Components
 - # of Students by Grade (Pre-School, Kindergarten, Elementary, Junior/Middle, High, Vocational)
 - Incremental Costs above Base
 - Special Education – In District
 - Special Education – Out of District
 - English Language Learners (PK-5, 6-8, High/Vocational)
 - Low Income
- The Foundation Budget also includes a phase-in of new higher per pupil rates under the Student Opportunity Act over a six-year period (FY22-FY27).
- The Foundation Formula results in a per student budget.
 - FY26 Worcester Foundation Budget per Pupil: \$20,147

FUNDING UNDER THE FOUNDATION BUDGET

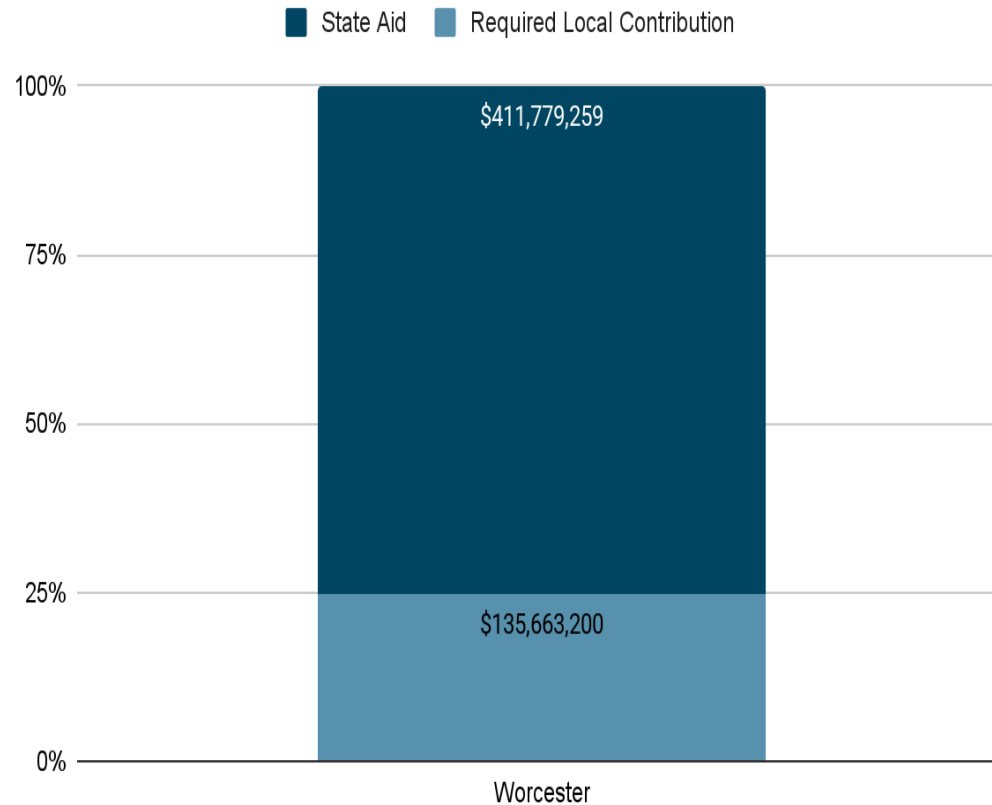


Guiding Principals of the Foundation Budget

1. Every school district should have an adequate level of school funding based on the specific size and needs of the student population.
2. Local communities should contribute according to their ability to raise tax revenue based on local property and income levels.
3. The state should provide enough funding to fill the gap between an adequate baseline level of funding – the foundation budget – and the ability of the local community to contribute towards it.

FUNDING UNDER THE FOUNDATION BUDGET

FY26: \$547,442,459



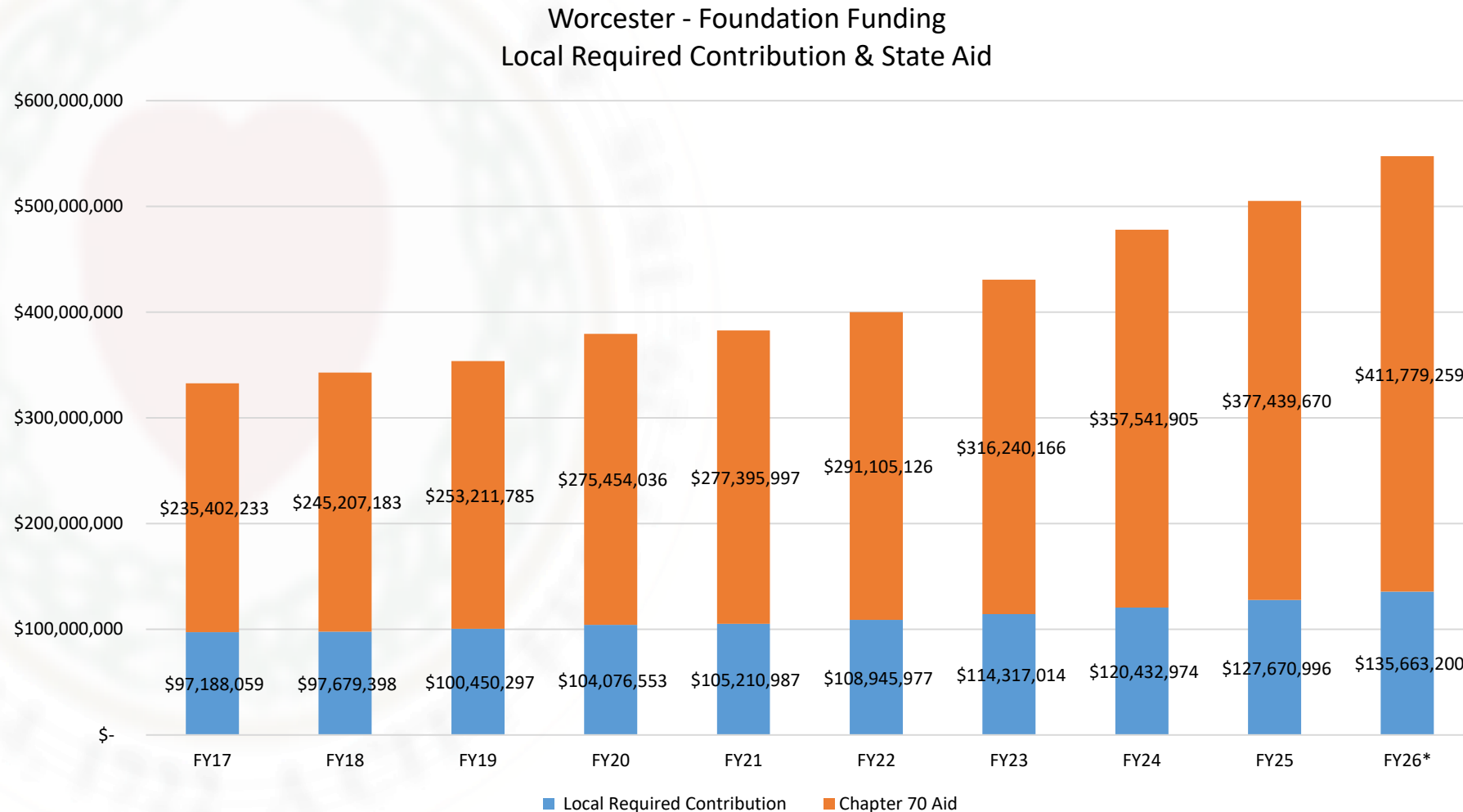
Includes resident students attending charter schools and other school districts through school choice.

Guiding Principles of the Foundation Budget

1. Every school district should have an adequate level of school funding based on the specific size and needs of the student population.
2. Local communities should contribute according to their ability to raise tax revenue based on local property and income levels.
3. The state should provide enough funding to fill the gap between an adequate baseline level of funding – the foundation budget – and the ability of the local community to contribute toward it.

HISTORY OF EDUCATION FUNDING IN WORCESTER

LOCAL REQUIRED CONTRIBUTION AND STATE AID

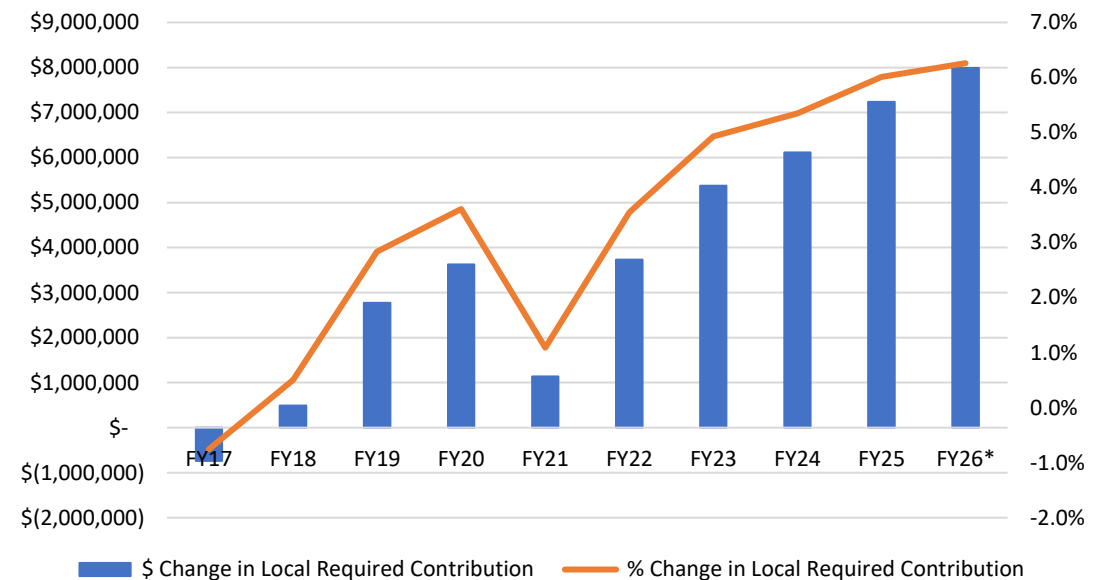


WORCESTER'S LOCAL REQUIRED CONTRIBUTION

The **Local Required Contribution** increases (or decreases) each year based on the Department of Revenue's **Municipal Revenue Growth Factor**:

- Levy Limit (increased 2.5% from the previous year)
- New Growth
- State Aid (General Revenue Sharing)
- Prior Year Local Receipts

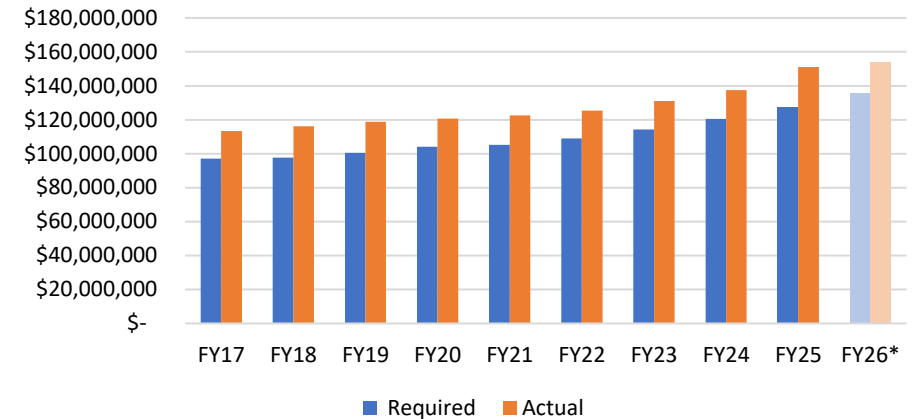
Worcester - Change in Local Required Contribution
\$ and %



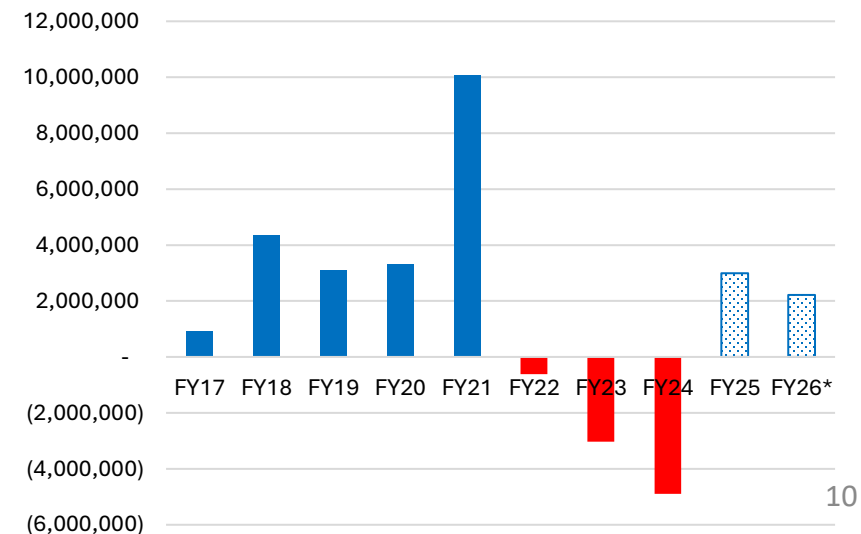
WORCESTER'S COMPLIANCE WITH STATE SCHOOL FUNDING REQUIREMENTS HAS TWO CONSIDERATIONS

- 1) **Revenues:** Did the actual local contribution meet or exceed the required local contribution?
- 2) **Expenditures:** Did school spending meet or exceed the required net school spending after ineligible expenditures are removed from the calculation?

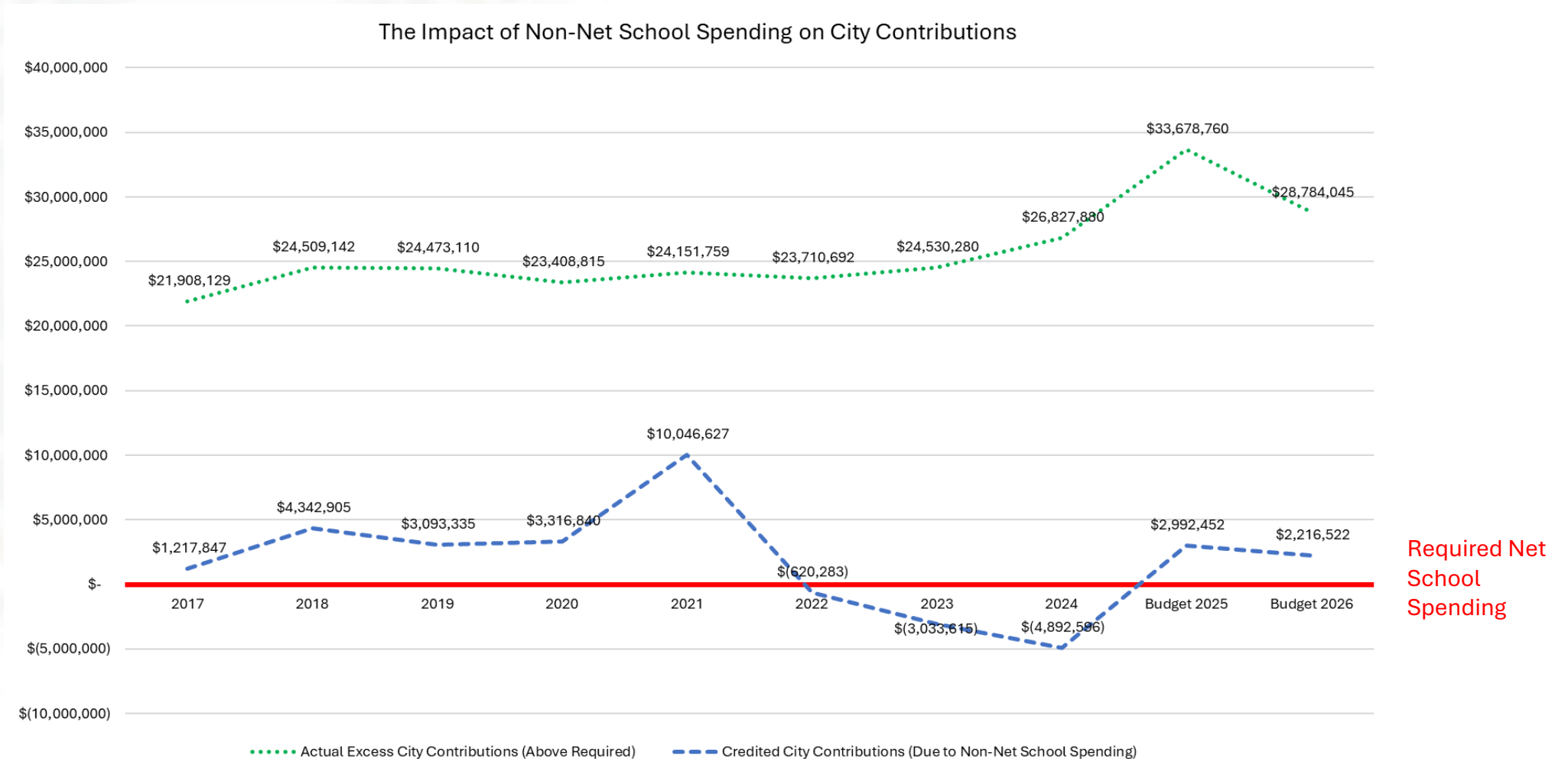
Worcester - Local Contribution



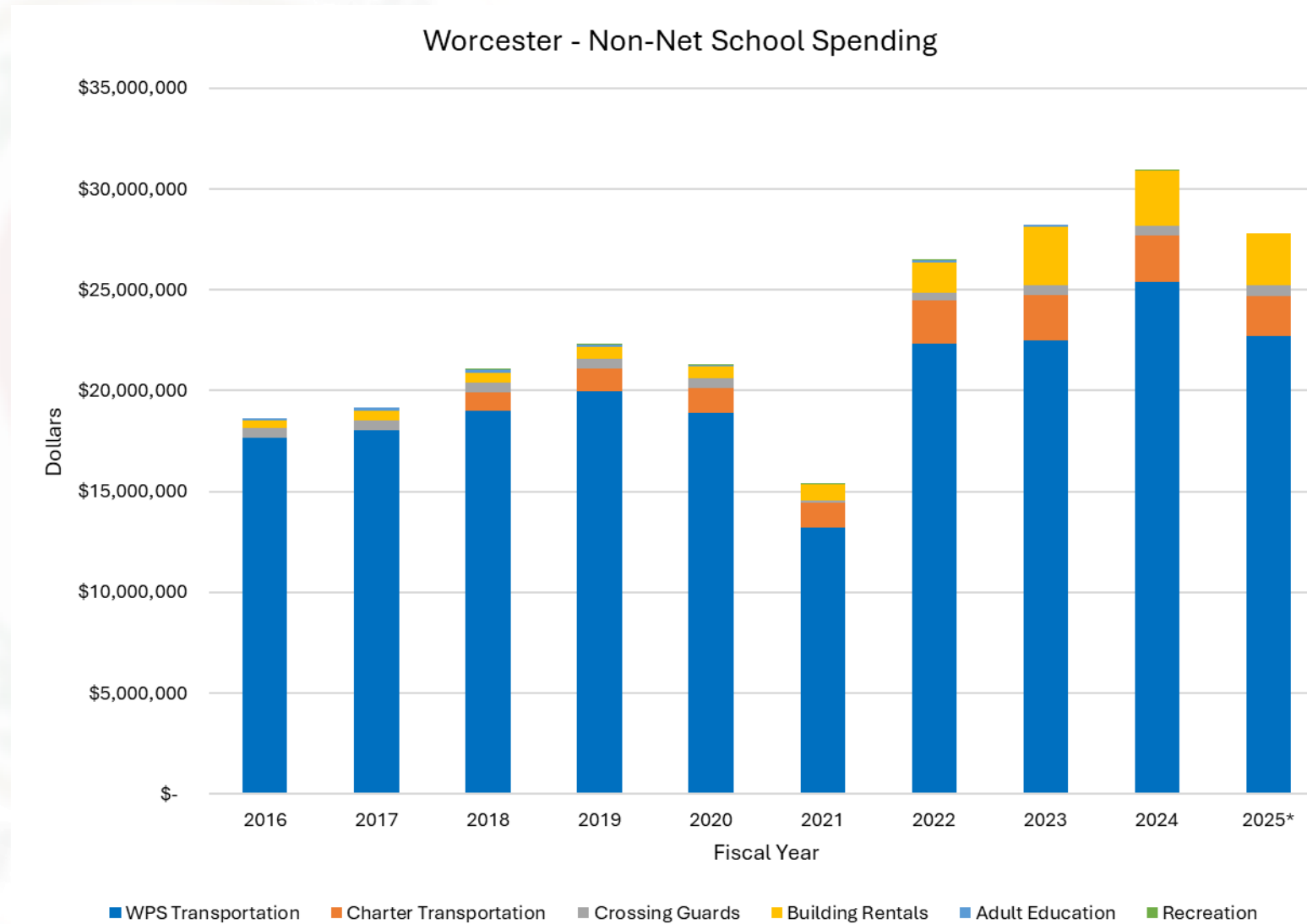
Worcester - Net School Spending



WORCESTER CONTRIBUTES FUNDS ABOVE THE REQUIREMENT, BUT MEETING NET SCHOOL SPENDING IS AN ANNUAL CHALLENGE



MAJOR COMPONENTS OF NON-NET SCHOOL SPENDING



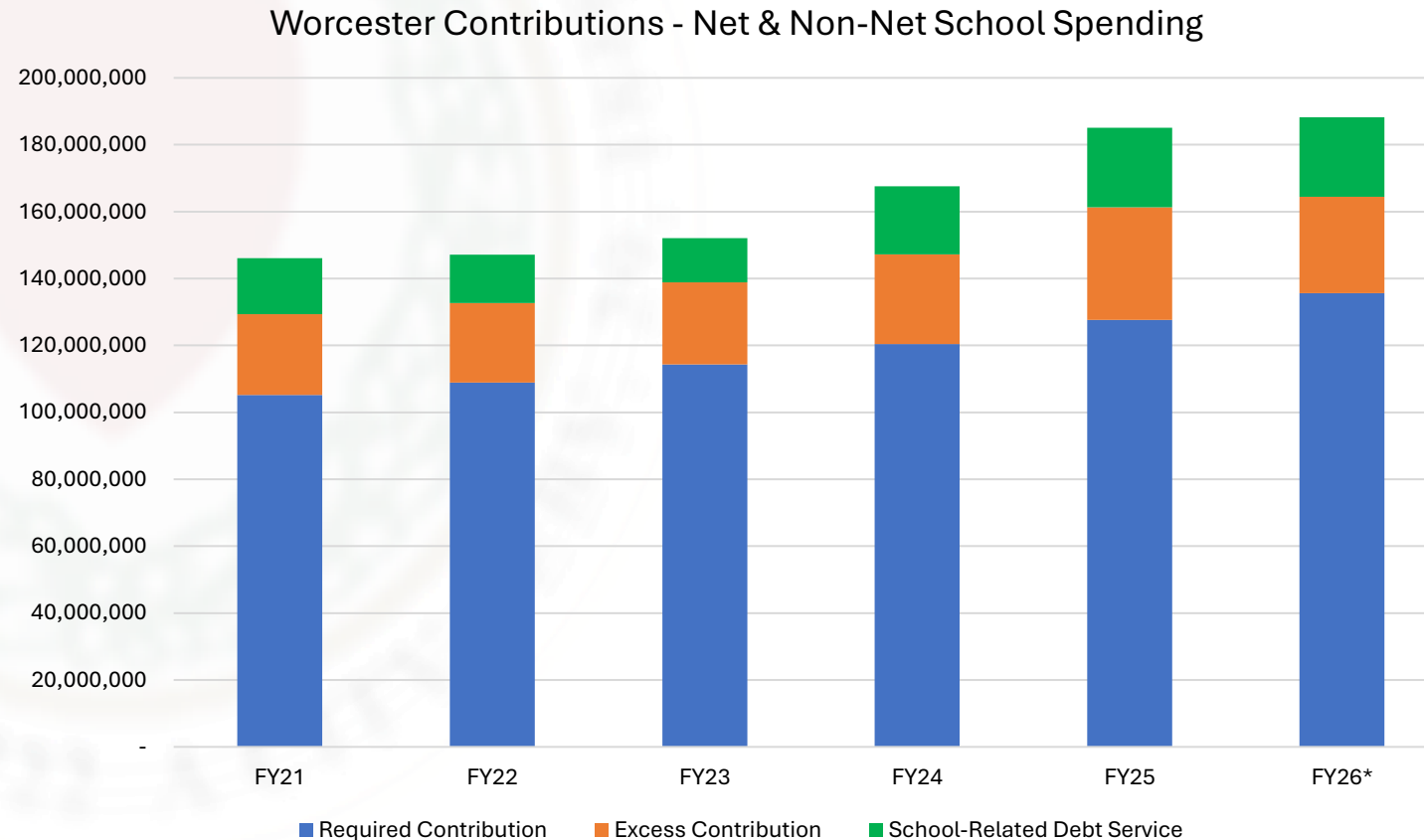
ACTUAL ELIGIBLE VS. INELIGIBLE SCHOOL SPENDING IN FY24

- Under Chapter 70, the following sums appropriated by the City to education were not considered eligible school spending under Chapter 70 in FY24:
 - School Transportation: \$25,414,486
 - Crossing Guards: \$484,313
 - Building Rentals: \$2,720,712
 - Adult Education: \$0
 - Recreation Worcester/OCOL: \$67,350
 - Capital Expenses: \$0*
 - Prior-Year Unexpended Encumbrances: \$0

*While “Capital Expenses” in this case means funds spent by the district or charter schools on major capital projects, funds spent by the City on school construction projects are also not considered eligible school spending. In FY24, the City spent \$20,369,188 on school-related debt service.

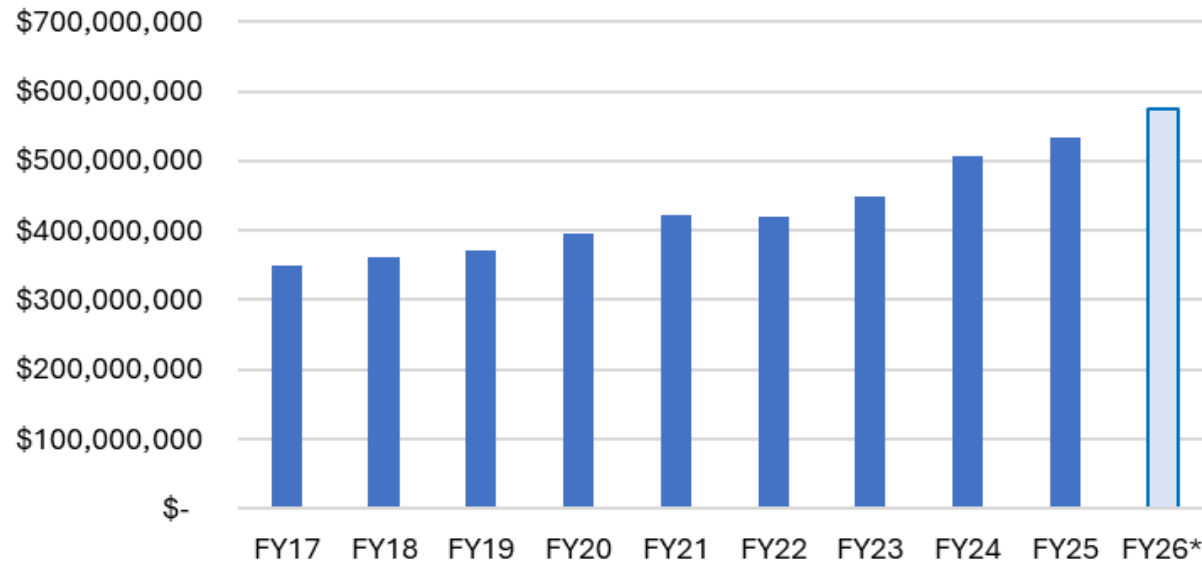
THE IMPACT

If all funds spent by the City in support of education in FY24 (the most recent year with audited financials) were credited under the formula, the City would have contributed \$47,197,068 in additional school spending for a total of \$167,630,042 from local resources or 139% of the City's required school spending.

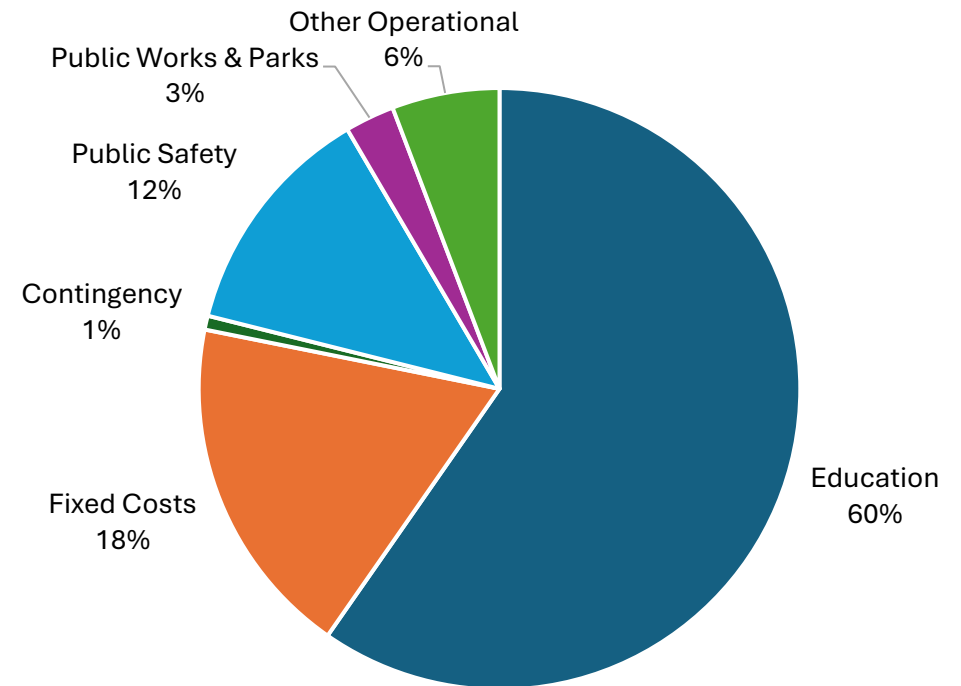


EDUCATION IS A SIGNIFICANT PORTION OF THE CITY'S ANNUAL BUDGET

City of Worcester - Education Budget
(FY17 - FY26)



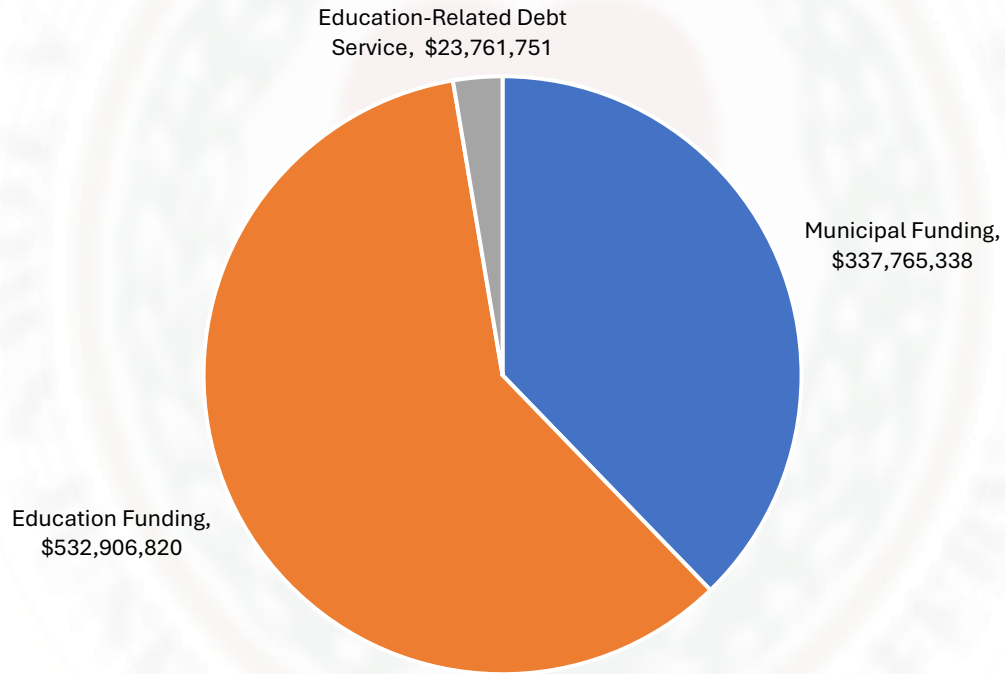
City of Worcester FY25 Budgeted Expenditures



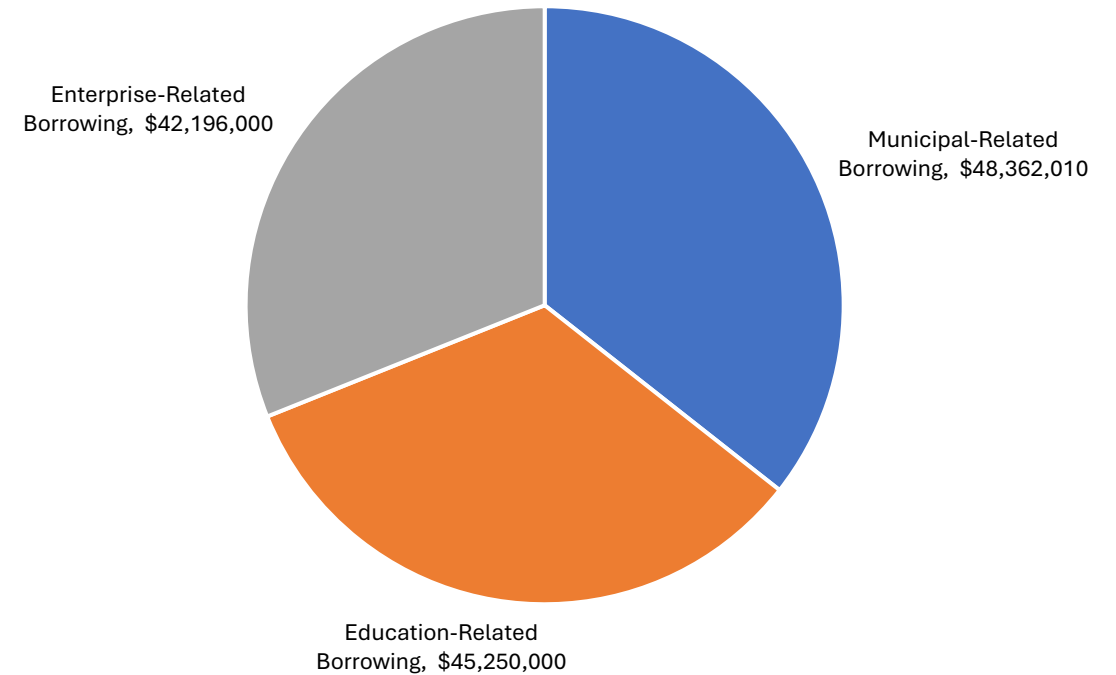


CITY OF WORCESTER ORIGINAL FY25 BUDGETS

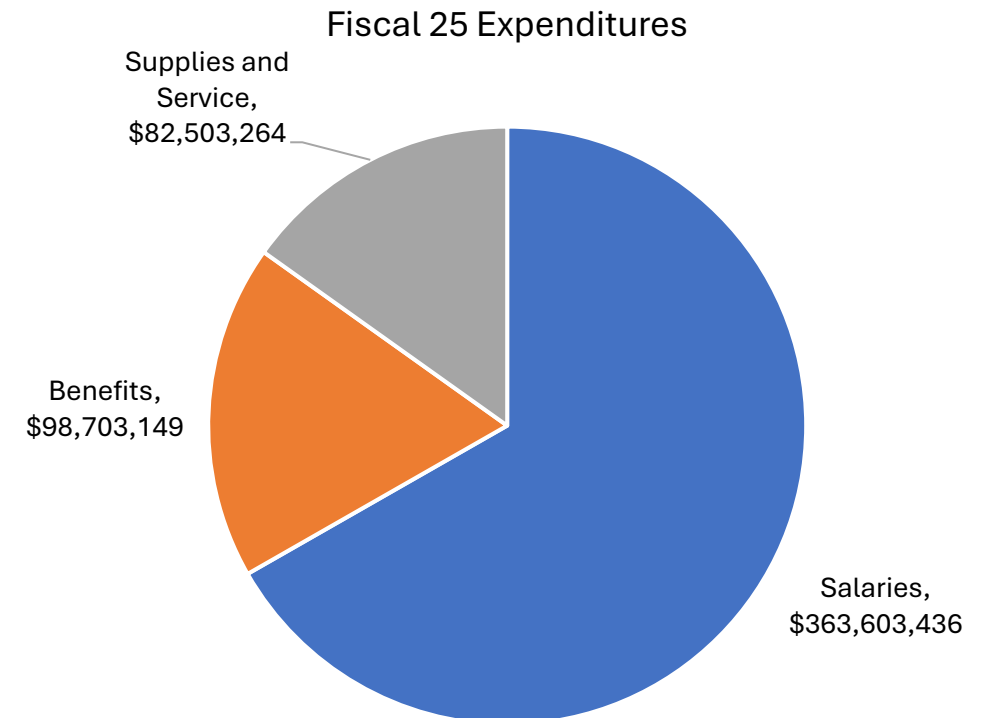
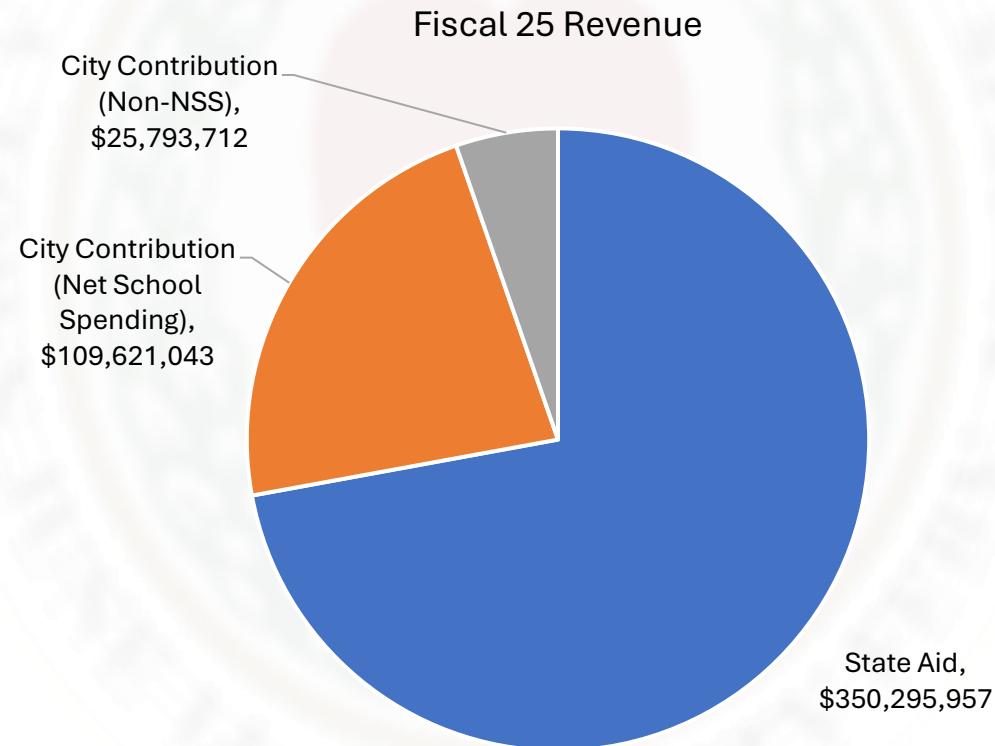
Fiscal 25 Operating Budget



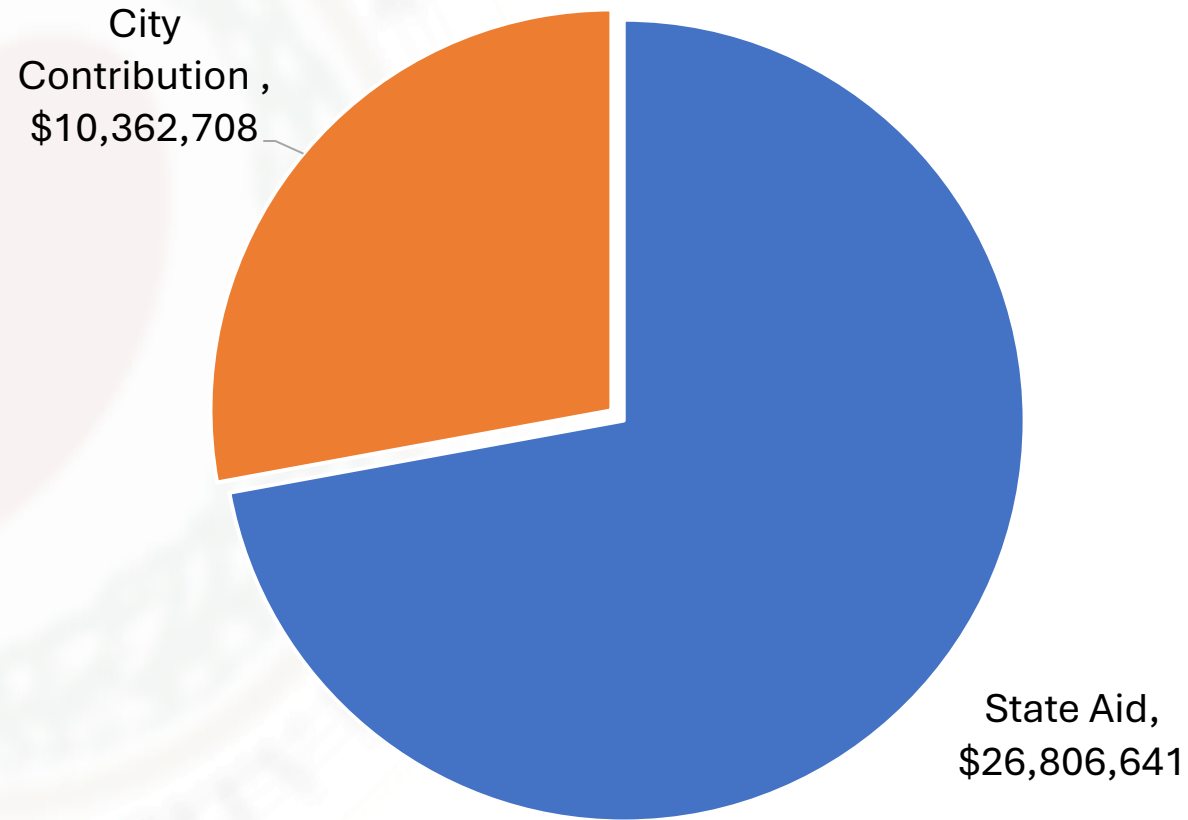
Fiscal 25 Capital Budget Borrowing



WORCESTER PUBLIC SCHOOLS ORIGINAL FY25 BUDGET



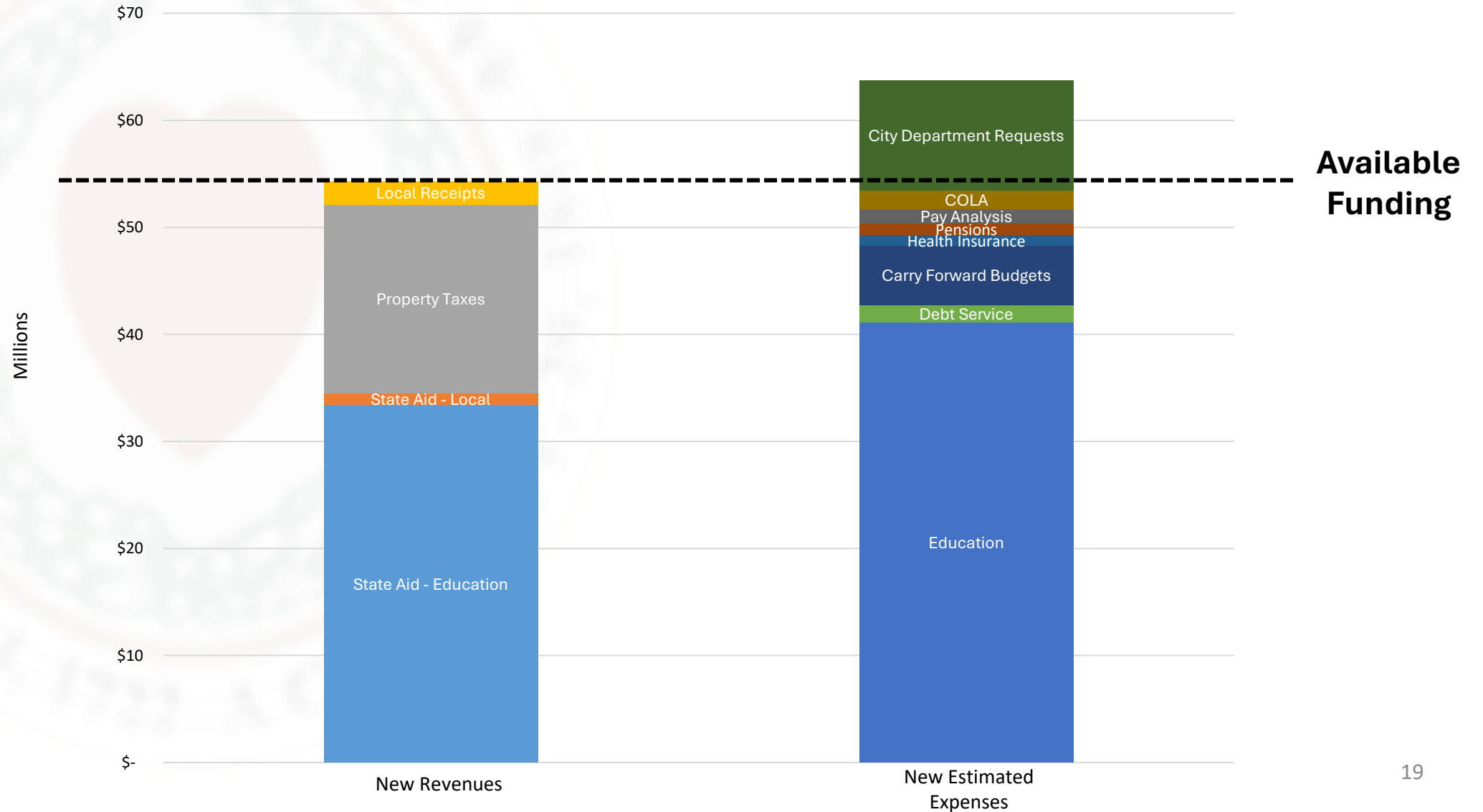
CHARTER SCHOOL AND SCHOOL CHOICE IMPACT





FY26 BUDGET ALLOCATION OF NEW RESOURCES

City of Worcester FY26 Revenues and Requested Expenses



FY26 EDUCATION FUNDING

FY26 Education: \$574.4M – 60.8% of Budget (\$411M, or 71% is State Aid)

FY25 to FY26 – Total City budget increased 6%

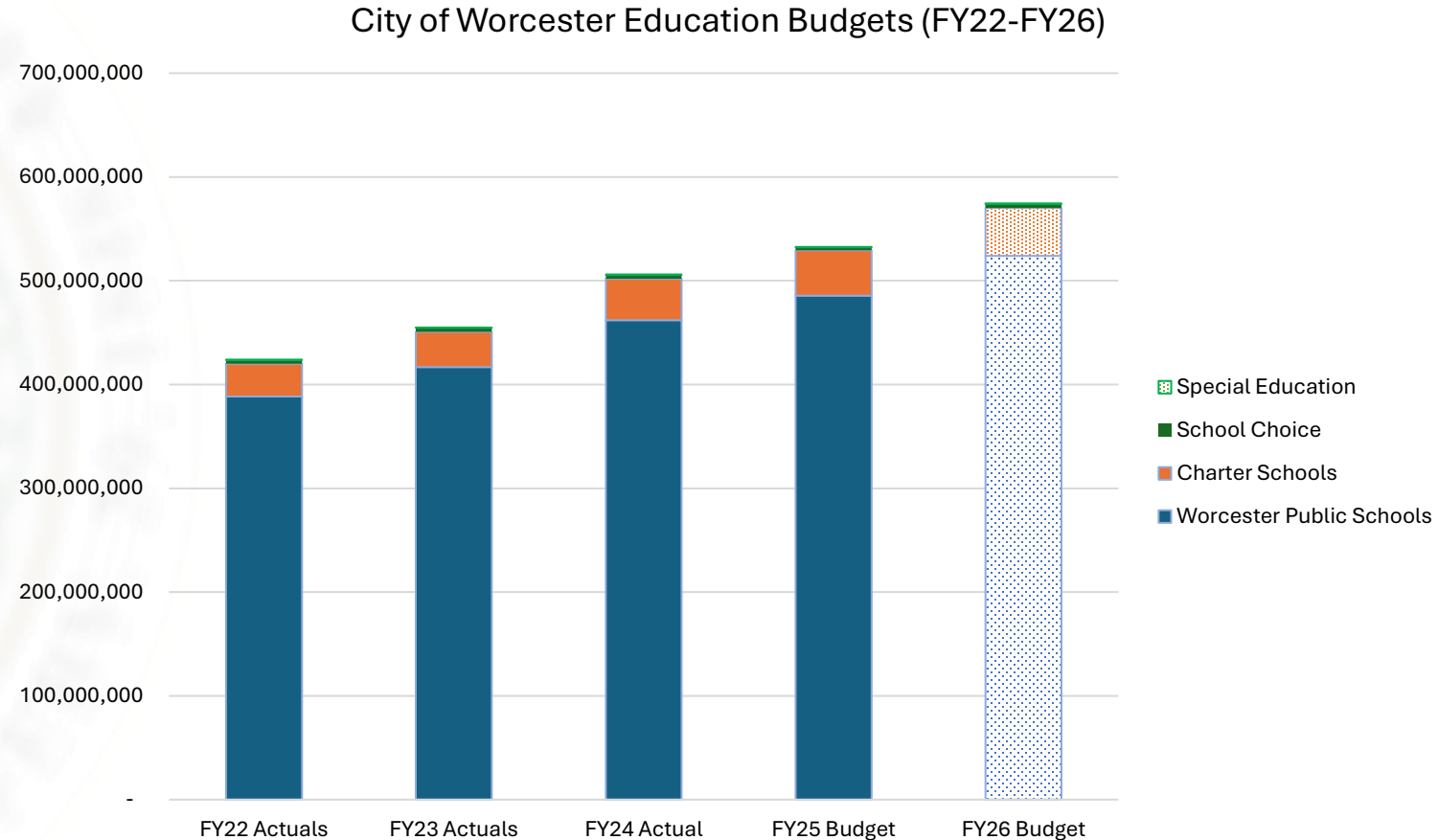
FY25 to FY26 – Education budget increased 7.7%

- Worcester Public Schools - General fund budget will increase \$38.2M or 8%
- Charter School Tuition will increase \$2.6M or 6%
- Special Education will increase \$6K or 2%

	FY25 Budget	FY26 Budget (Governor's Version)	\$ Change	% Change
Chapter 70 State Aid	\$ 377,439,670	\$ 411,779,259	\$ 34,339,589	9.10%
City Contribution	\$ 145,777,463	\$ 153,769,667	\$ 7,992,204	5.48%
Charter School Reimbursement	\$ 10,244,812	\$ 8,843,169	\$ (1,401,643)	-13.68%
<i>Sub-Total</i>	<i>\$ 533,461,945</i>	<i>\$ 574,392,095</i>	<i>\$ 40,930,150</i>	<i>7.67%</i>
Charter School Tuition Assessment	\$ (43,479,298)	\$ (46,122,794)	\$ (2,643,496)	6.08%
School Choice Tuition Assessment	\$ (3,899,644)	\$ (3,968,338)	\$ (68,694)	1.76%
Special Education Assessment	\$ (310,790)	\$ (316,877)	\$ (6,087)	1.96%
<i>Sub-Total</i>	<i>\$ (47,689,732)</i>	<i>\$ (50,408,009)</i>	<i>\$ (2,718,277)</i>	<i>5.70%</i>
Total WPS General Fund Budget	\$ 485,772,213	\$ 523,984,086	\$ 38,211,873	7.9%

EDUCATION FUNDING VS. WORCESTER PUBLIC SCHOOLS FUNDING

The City's education budget and the Worcester Public Schools' budget are not the same thing. The City's educational budget is largely committed to Worcester Public Schools, but State Assessments against the City also fund Charter Schools, School Choice, and Special Education initiatives.



FY26 WORCESTER PUBLIC SCHOOLS FUNDING

FY26 Major Budget Themes for Worcester Public Schools



Enrollment **INCREASE**

Enrollment increased by 428 students overall representing a 1.8% increase

\$12.5 million



Inflation Rate **Moderate**

Moderate foundation inflation rate of **1.93%**

\$12.6 million



Student Opportunity Act **Phase-In**

Fifth Year of Six-Year Phase-in of SOA

\$17.2 million



Enrollment- Based Staffing Adjustments **SHIFT**

Annual Budget adjustments based on enrollment shifts in individual schools



Equity-Based Budget Process to be used. **New**

Strategic Investments to close opportunity gaps for students

\$42.3 million

MUNICIPAL CHALLENGES

- **REVENUE:** Required Local Contribution is increasing faster than Budget Growth
 - The State's determination of Local Effort from Property Wealth has assumed 52% growth while the determination of Local Effort from Income has increased 31% over the last five years.
 - The Municipal Revenue Growth Factor includes the average of the prior three years of New Growth in the Required Local Contribution equation, and Worcester's record new growth averaged \$9.2M from FY23-FY25.
 - As a result, the Required Local Contribution has increased \$26.7M over the last five years (FY21-FY26), or an amount greater than the entire budget of every other City Department except for Police and Fire.
- **EXPENSES:** Non-Net School Spending (FY20-FY24) is increasing at a rate faster than Actual Contribution: 34% versus 16%
 - This means that Non-Net School Spending may soon be driving the City's contribution, regardless of the Required Contribution determination of the Commonwealth's Department of Elementary and Secondary.
- **INELIGIBLE COSTS:** Worcester Public Schools-related debt service costs are increasing dramatically due to the recent construction at South, Doherty, etc. Burncoat is anticipated to increase the City's budget by \$20M+ annually all on its own.

WORCESTER PUBLIC SCHOOLS CHALLENGES

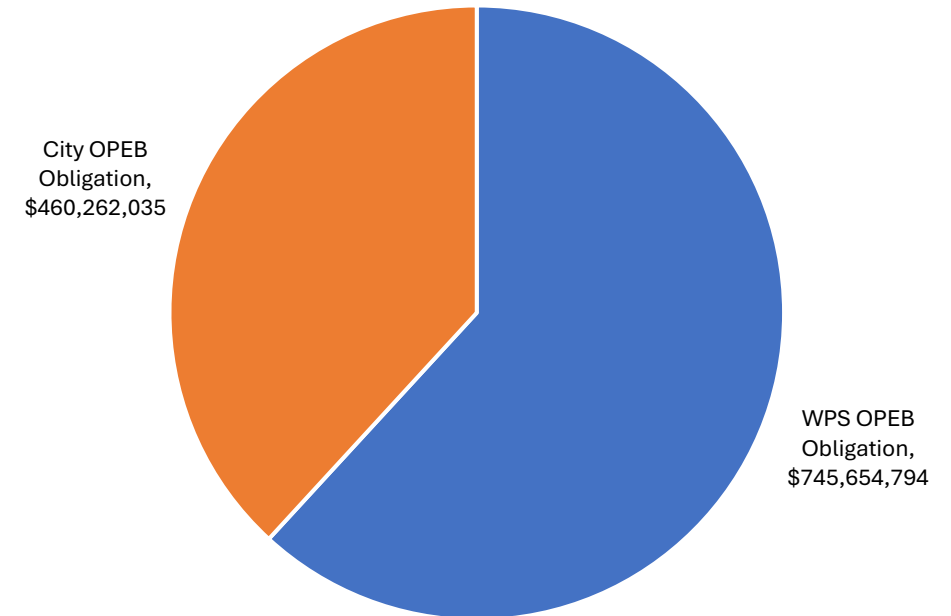
- Inflationary increases not keeping pace with actual cost increases
- Balancing Non-Net School Spending costs based on minimum Foundation Budget spending
- Expansion of programs and services to meet/support student needs
- Closing opportunity gaps for students
- Out of district (contracted) transportation increases
- Aging buildings and deferred maintenance
- Maintaining student technology at current ratios



- In Massachusetts, when a public employee reaches eligibility for a pension, they are also eligible for other post-employment benefits (OPEB) including health insurance and life insurance.
- While employees are obligated to contribute to the pension fund throughout their employment, employees have not historically contributed to OPEB obligations.
- Currently, the City and WPS pay 75% of a retiree's health care while the employee pays 25%. Under State law, the percentage can be decreased to as low as 50%/50%.
- Worcester's OPEB obligations expand as retirees live longer, new employees vest, and health care costs increase.
- As of June 30, 2024, Worcester's total actuarially determined OPEB liability was \$1,205,916,829.
- Of that amount, approximately 62% is attributable to Worcester Public Schools employees and retirees.

THE OPEB LIABILITY

Worcester OPEB Liability - July 1, 2024





RISKS OF ANNUAL FEDERAL FUNDING

Municipal:

- \$60M, including Community Development Block Grant (CDBG) (\$35.3M), SAFER* (Fire) Grants (\$23M), Housing (\$19.4M), Brownfields (\$7.5M), Workforce Training (\$4.5M), and Lead (\$4.1M). **Approximately \$10.8M of the total is used to support FY25 operations/132 positions.**

Worcester Public Schools:

- \$54M, including Child Nutrition (\$17M), Low-Income Students (\$14.5M), Individuals with Disabilities (\$8.6M), Head Start (\$7.2M). **Nearly 100% is used to support FY25 operations/779 positions.**