

Impact of Chapter 70 Inflation Cap on Haverhill School Budget

FISCAL YEARS 2023, 2024, AND 2025

Background

The Chapter 70 School aid formula uses a Foundation inflation index to increase Foundation aid to Massachusetts school districts when prices rise with inflation.

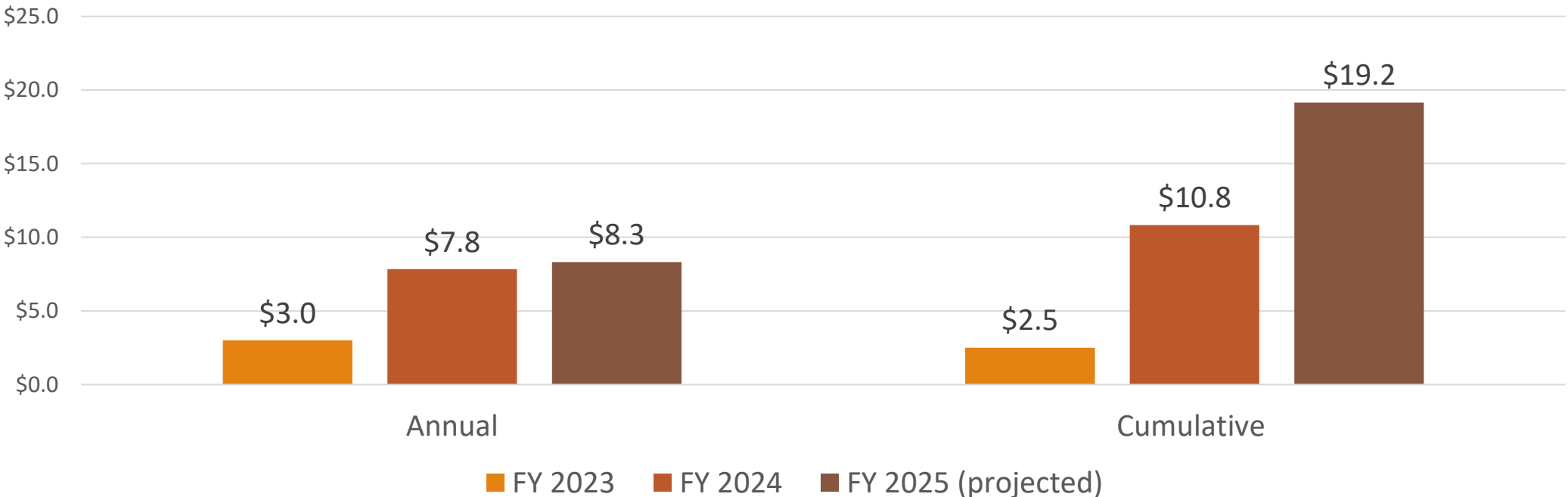
That formula includes an upper limit or cap of 4.5% on the annual inflation adjustment,

That cap was exceeded in fiscal years 2023 and 2024 resulting in state aid not keeping up with inflation and reducing the base Foundation budgets by about 6% for all future years.

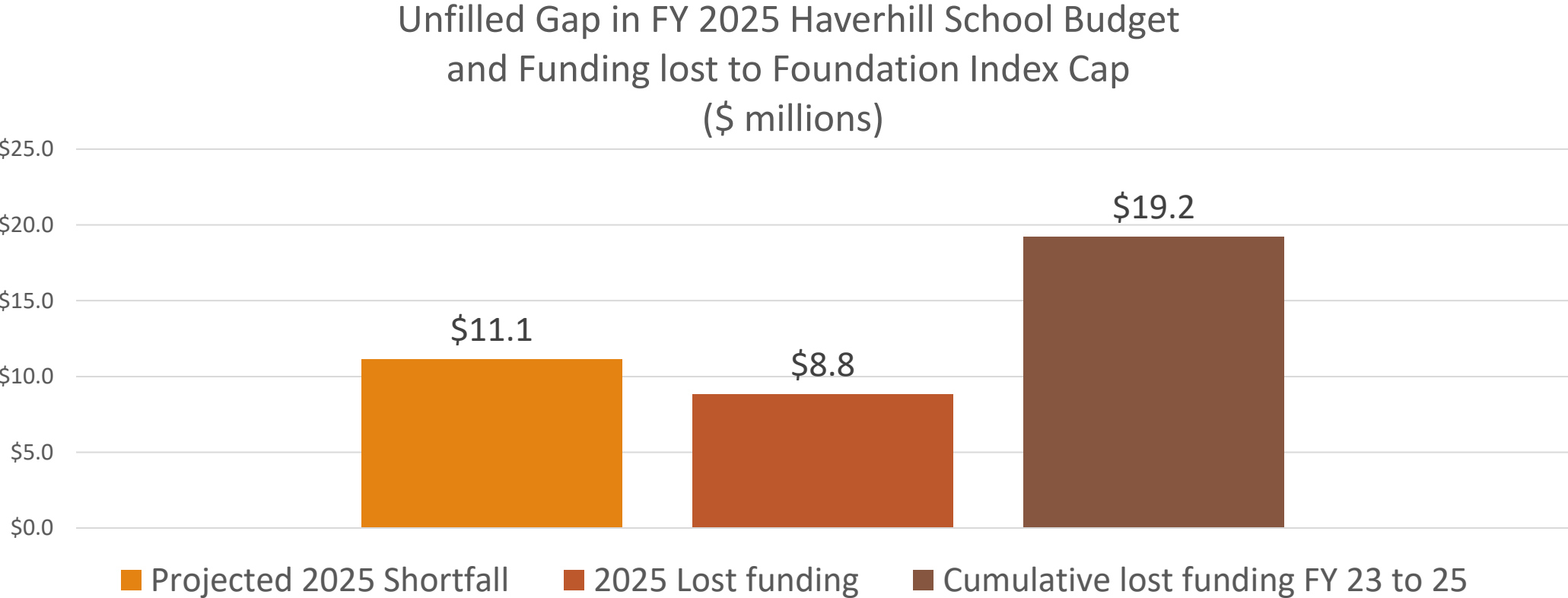
For Haverhill, Chapter 70 aid for fiscal years 2025 would be about 9.5% or \$8.3 million higher if the cap did not apply.

Haverhill Chapter 70 aid lost to inflation cap for 2025: \$8.3 million, cumulatively \$19.2 million

Haverhill Chapter 70 Aid Lost due to Inflation Cap, annual and cumulative FY 2023-2025 (\$ millions)

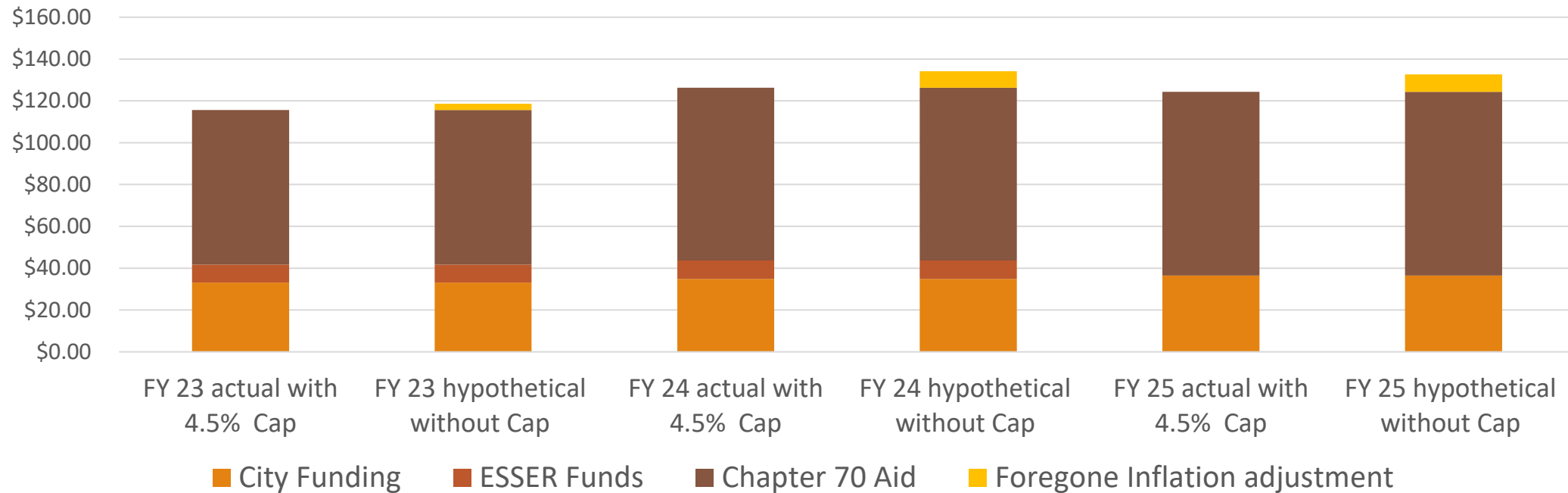


Funds lost due to index cap compared to FY 2025 Haverhill School Budget Gap to be Filled



Aid lost to inflation cap could have enabled stable budgets despite loss of ESSER Funding

Haverhill School Budgets Actual (capped) and Hypothetical (without cap)
\$ millions



Funding lost due to inflation cap could have covered current budget gap

	FY 2023	FY 2024	FY 2025 Proposed	3-Year Total
Chapter 70 Aid	\$73.9	\$82.6	\$87.8	\$244.4
ESSER Funding	\$8.6	\$8.8	\$0	\$17.3
City Funding	\$34.9	\$36.5	\$37.9	\$109.4
TOTAL FUNDING	\$117.4	\$127.9	\$125.8	\$371.1
TOTAL SPENDING	\$117.4	\$127.9	\$136.9	
GAP	\$0.0	\$0.0	\$11.1	\$11.1
Lost due to Cap	\$3.0	\$7.8	\$8.3	\$19.1

2025 Budget and Expected Funding

